



**Interim Consolidated Financial Statements
(Unaudited)**

**Second Quarter and Six Months Ended
November 30, 2011 and 2010**

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three months ended November 30, 2011 and 2010 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Anaconda Mining Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors has assigned the responsibility for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company to its Audit Committee that ensures that management fulfills its financial reporting responsibilities. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Dustin Angelo"

President and Chief Executive Officer
January 12, 2012

"Stephen Gledhill"

Chief Financial Officer
January 12, 2012

Anaconda Mining Inc.
Unaudited Interim Consolidated Statements of Financial Position
(Canadian Dollars)

As at	November 30, 2011	May 31, 2011	June 1, 2010
	\$	\$	\$
		(RESTATED- notes 3 and 29)	(RESTATED- notes 3 & 29)
Assets			
Current assets			
Cash and cash equivalents <i>(note 9)</i>	54,219	290,882	533,628
Restricted cash <i>(note 9)</i>	-	565,086	96,068
Trade and other receivables <i>(note 23)</i>	121,040	320,035	736,679
Prepaid expenses and deposits	158,451	77,596	23,661
Due from related parties <i>(note 19)</i>	100,971	906,089	-
Inventory <i>(notes 10 & 28)</i>	902,621	794,132	731,537
	1,337,302	2,953,820	2,121,573
Investments	-	-	336,600
Deferred transaction costs	-	-	79,581
Restricted cash <i>(note 9)</i>	673,148	677,499	777,479
Leasehold improvements	-	-	4,512
Property, mill and equipment <i>(note 11)</i>	18,076,135	17,574,168	13,192,874
	20,086,585	21,205,487	16,512,619
Liabilities			
Current liabilities			
Trade and other payables <i>(note 24)</i>	4,540,676	5,360,237	2,340,291
Due to related parties <i>(note 19)</i>	524,257	-	676,436
Due to shareholders <i>(note 13)</i>	197,352	387,320	-
Current portion of loans and debentures <i>(notes 15 & 17(b))</i>	1,358,032	1,531,584	-
Promissory notes <i>(note 12)</i>	-	1,004,529	-
	6,620,317	8,283,670	3,016,727
Loans <i>(note 14)</i>	122,875	225,111	-
Convertible loan <i>(note 15)</i>	1,862,741	1,842,059	1,806,700
Convertible debentures <i>(note 16)</i>	1,658,405	1,627,597	1,593,408
Debentures <i>(note 17)</i>	2,693,925	2,583,987	2,397,072
Asset retirement obligations <i>(note 18)</i>	1,123,463	1,096,321	1,048,309
	14,081,725	15,658,745	9,862,216



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

Anaconda Mining Inc.
Unaudited Interim Consolidated Statements of Financial Position (Continued)
(Canadian Dollars)

As at	November 30, 2011	May 31, 2011	June 1, 2010
	\$	\$	\$
		(RESTATED- notes 3 & 29)	(RESTATED- notes 3 & 29)
Shareholders' equity			
Common shares <i>(note 20 (a))</i>	32,746,095	31,469,190	26,252,558
Equity portion of convertible loans and debentures <i>(notes 15 & 16)</i>	521,397	521,397	521,397
Reserve for warrants <i>(note 21)</i>	1,166,538	1,449,873	1,223,573
Reserve for share-based payments <i>(note 22)</i>	6,587,275	6,009,159	5,147,722
Deficit	(36,547,044)	(34,945,311)	(25,374,497)
Accumulated other comprehensive income (loss)	1,530,598	1,042,434	(1,120,350)
	6,004,859	5,546,742	6,650,403
	20,086,585	21,205,487	16,512,619

Going concern *(note 1)*
Commitments *(note 27)*
Subsequent events *(note 28)*
Change in accounting policy *(note 29)*

Approved by the Board of Directors on January 12, 2012

"Thomas Pladsen"

Director

"Lewis Lawrick"

Director



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

Anaconda Mining Inc.
Unaudited Interim Consolidated Statements of Loss
(Canadian Dollars except weighted average number of shares outstanding)

	3 months ended		6 months ended	
	November 30, 2011	November 30, 2010	November 30, 2011	November 30, 2010
	\$	\$	\$	\$
		<i>(RESTATED- notes 3 & 29)</i>		<i>(RESTATED- notes 3 & 29)</i>
Revenue				
Sales	3,792,044	1,136,082	8,311,498	1,633,043
	3,792,044	1,136,082	8,311,498	1,633,043
Cost of goods sold				
Mill operations	690,514	530,620	1,503,627	1,148,817
Mining costs	847,278	517,342	1,986,697	840,894
Direct wages	749,248	1,061,032	1,490,045	1,167,952
Net smelter returns	112,687	38,206	247,496	43,780
	(2,399,727)	(2,147,200)	(5,227,865)	(3,201,443)
Gross margin	1,392,317	(1,011,118)	3,083,633	(1,568,400)
Administrative expenses				
Office and general	210,751	147,985	498,652	537,580
Consulting and professional fees	362,184	610,753	502,177	956,715
Share-based compensation	43,725	145,806	294,782	418,014
Representation and travel	28,571	36,395	60,016	50,370
Shareholder and regulatory reporting	49,403	61,678	91,972	144,880
Salaries and benefits	60,831	76,362	114,633	89,262
Depletion and depreciation <i>(note 29)</i>	394,026	71,937	811,980	266,465
	(1,149,491)	(1,150,915)	(2,374,212)	(2,463,286)
Exploration and evaluation expenditures	(107,397)	(62,310)	(1,074,321)	(62,310)
Interest expense (net of interest income)	(407,368)	(595,484)	(773,471)	(875,730)
Foreign exchange gains (losses)	(652,237)	(38,074)	(597,464)	(1,104,418)
Realized loss on sale of investments	-	(1,464,000)	-	(1,464,000)
Gain on sale of properties	-	-	-	1,170,821
Gain on write-down of due to related party	134,103	-	134,104	-
	(2,182,390)	(3,310,783)	(4,685,364)	(4,798,923)
Net loss before income taxes	(790,073)	(4,321,901)	(1,601,731)	(6,367,323)
Future income tax recoveries	-	68,618	-	50,870
Net loss	(790,073)	(4,253,283)	(1,601,731)	(6,316,453)
Net loss per share – basic and fully diluted	(0.004)	(0.037)	(0.009)	(0.058)
Weighted average number of shares outstanding (000's)	176,826	114,534	176,625	109,806



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

Anaconda Mining Inc.
Unaudited Interim Consolidated Statements of Comprehensive Loss
and Accumulated Other Comprehensive Income
(Canadian Dollars)

	3 months ended		6 months ended	
	November 30, 2011	November 30, 2010	November 30, 2011	November 30, 2010
	\$	\$	\$	\$
Net loss	(790,073)	(4,253,283) <i>(RESTATED- notes 3 & 29)</i>	(1,601,731)	(6,316,453) <i>(RESTATED- notes 3 & 29)</i>
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale investments, net of tax benefit of \$Nil (2010 - \$17,748)	-	(643,786)	-	(748,438)
Reclassification of realized losses to income	-	1,225,002	-	1,225,002
Exchange differences on translation of foreign operations	(179,140)	69,766	488,164	904,858
	(179,140)	650,982	488,164	1,381,422
Total comprehensive loss	(969,213)	(3,602,301)	(1,133,567)	(4,935,031)
Comprehensive loss per share	(0.005)	(0.031)	(0.006)	(0.045)
			November 30, 2011	May 31, 2011
			\$	\$
				<i>(RESTATED- notes 3 & 29)</i>
Balance at beginning of year			1,042,434	(1,120,350)
Other comprehensive loss			488,164	2,162,774
Balance at end of year or period			1,530,598	1,042,424



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Anaconda Mining Inc.
Unaudited Interim Consolidated Statements of Changes in Equity
(Canadian Dollars)

	Share Capital		Reserves		Deficit	Convertible-debt Equity	AOCI	Total
	Number of Shares	Amount	Share-based payments	Warrants	(RESTATED-note 29)			
Balance at June 1, 2010	103,163,871	26,252,558	5,147,722	1,223,573	(25,374,497)	521,397	(1,120,350)	6,650,403
Issued pursuant to take-over bid	10,541,520	3,011,863	-	-	-	-	-	3,011,863
Issued for Series II debenture interest	979,585	249,797	-	-	-	-	-	249,797
Share-based compensation	-	-	418,014	-	-	-	-	418,014
Fair value of Series III debenture warrants	-	-	-	35,742	-	-	-	35,742
Translation gain on foreign operations	-	-	-	-	-	-	904,858	904,858
Unrealized loss on available-for-sale investments	-	-	-	-	-	-	476,564	476,564
Net loss for the period <i>(restated – note 29)</i>	-	-	-	-	(6,316,453)	-	-	(6,316,453)
Balance at November 30, 2010	114,684,976	29,514,218	5,565,736	1,259,315	(31,690,950)	521,397	261,072	5,430,788
Issued pursuant to Rights Offering	31,686,444	2,218,051	-	-	-	-	-	2,218,051
Cost of issuance	-	(118,766)	-	-	-	-	-	(118,766)
Share-based compensation	-	-	332,959	-	-	-	-	332,959
Fair value of warrants issued	-	(301,021)	-	301,021	-	-	-	-
Fair value of expired warrants	-	-	110,463	(110,463)	-	-	-	-
Issued pursuant to acquisition of property	12,060,796	156,708	-	-	-	-	-	156,708
Translation loss on foreign operations	-	-	-	-	-	-	(443,640)	(443,640)
Reclassification of realized loss on	-	-	-	-	-	-	1,225,002	1,225,002
Net loss for the period <i>(restated – note 29)</i>	-	-	-	-	(3,254,361)	-	-	(3,254,361)
Balance at May 31, 2011	158,432,216	31,469,190	6,009,158	1,449,873	(34,945,311)	521,397	1,042,434	5,546,742
Private placement	18,393,728	1,287,561	-	-	-	-	-	1,287,561
Cost of issuance	-	(10,656)	-	-	-	-	-	(10,656)
Fair value of expired warrants	-	-	283,335	(283,335)	-	-	-	-
Share-based compensation	-	-	294,782	-	-	-	-	294,782
Translation loss on foreign operations	-	-	-	-	-	-	488,164	488,164
Net loss for the period	-	-	-	-	(1,601,733)	-	-	(1,601,733)
Balance at November 30, 2011	176,825,944	32,746,095	6,587,275	1,166,538	(36,547,044)	521,397	1,530,598	6,004,859



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Anaconda Mining Inc.
Unaudited Interim Consolidated Statements of Cash Flow
(Canadian Dollars)

Six months ended November 30,	2012	2011
	\$	\$
Operations		<i>RESTATED-</i> <i>notes 3 & 29)</i>
Net income (loss)	(1,601,733)	(6,316,453)
Adjustments to reconcile net loss to cash flow from operating activities:		
Depletion and amortization	811,980	259,724
Share-based compensation	294,782	418,014
Future income taxes (recoveries)	-	(50,870)
Foreign exchange (gains) losses	(21,524)	4,017
Gain on sale of investments	-	1,464,000
Gain on write-down of due to related-party amounts	(134,103)	-
Interest paid with issuance of shares	-	249,797
Interest accretion on convertible loan and debentures	174,083	126,799
Interest accretion on asset retirement obligations	27,143	36,352
Foreign currency translation of subsidiary	488,164	904,858
Net change in non-cash working capital items:		
Trade and other receivables	198,998	(318,795)
Prepaid expenses and deposits	(80,855)	(62,477)
Inventory	(108,489)	357,027
Accounts payable and accrued liabilities	(819,562)	2,282,339
Cash flow used in operating activities	(771,118)	(645,670)
Financing		
Issuance of common shares, net of issuance costs of \$10,656	1,276,905	-
Advanced from related parties	1,463,478	473,849
Advances from (repayments to) shareholders	(189,968)	-
Reduction of government loans	(138,443)	-
Issuance (reduction) of debentures	(150,000)	1,757,113
Advances (repayment) of promissory notes	(1,004,529)	-
Cash flow provided from financing activities	1,257,443	2,230,961
Investments		
Purchase of property, mill and equipment	(1,313,947)	(1,600,916)
Proceeds from sale of investments	-	153,000
Deferred transaction costs	-	(529,029)
Restricted cash	569,436	37,146
Cash flow used in investing activities	(744,511)	(1,939,800)
Effect of exchange rate changes on cash and cash equivalents	21,523	(2,102)
Net decrease in cash and cash equivalents	(236,663)	(356,611)
Cash and cash equivalents at beginning of period	290,882	533,628
Cash and cash equivalents at end of period	54,219	177,017
Supplemental cash flow information:		
Interest paid	131,167	-
Taxes paid	-	-
	131,167	-



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unaudited interim consolidated financial statements*

Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

General

Corporate

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") through a share-for-share exchange, which resulted in the former shareholders of Colorado acquiring a majority 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. The Company's registered office is located at The Exchange Tower, 130 King Street West, Suite 2120, Toronto, Ontario, M5X 1C8.

Pine Cove project – Baie Verte, Canada

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 700 tonnes of ore per day. Commissioning of the expanded mill occurred during the first quarter of fiscal 2011 (July 2010). On September 7, 2010, the Company achieved Commercial Production (as defined in its option and joint venture agreement) and therefor had earned a 60% interest in the Pine Cove project. During January 2011, New Island minority shareholders approved the Acquisition and the Plan of Arrangement governing the acquisition and it received final approval by the Court of the Queen's Bench of Alberta that resulted in Anaconda's ownership in the Pine Cove project increasing to 100%.

San Gabriel project – Chile

During the first fiscal quarter of 2011, Anaconda completed transactions (altogether, the "Chilean Transaction") to acquire interests in two iron exploration portfolios from a private Chilean company, Inversiones SBX Limitada ("SBX"). The exploration properties are located in north central Chile, within the Chile-Peru iron ore belt. Anaconda acquired a 50% interest in iron exploration concessions located in the immediate area of the Company's San Gabriel iron project and a 20% interest in Inversiones Hierro Antofagasta S.A. ("IHA"), a private Chilean company. In return, SBX acquired from Anaconda a 50% interest in the Company's San Gabriel property. SBX will also fund the remaining two option payments totaling US\$2.2 million (both of which have been paid by SBX, US\$500,000 in June 2010 and US\$1.72 million in June 2011) related to the San Gabriel property. The combined San Gabriel area assets are held by a new company, Minera Hierro San Gabriel S.A., which is owned on a 50:50 basis by Anaconda and SBX. Subsequent to the reporting date, the Company sold its interest in the San Gabriel project (*note 29*).

1. *Going concern*

These unaudited 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 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 these consolidated financial statements.

Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

The Company has experienced ongoing losses and negative cash flow from operations both of which raise concerns regarding its ability to continue as a going concern. At this time, cash generated from the operations of the Pine Cove project is insufficient to fund all of Anaconda's ongoing working capital requirements, corporate and administrative expenses, aged payables, debt service, capital expenditure requirements and other contractual obligations, including those for its mineral properties in Chile. The Company has improved the operations of its Pine Cove project, but management believes the Pine Cove project must continue to maintain current recovery, throughput, grade and production levels for at least the next 12 months so that it can meet its corporate obligations. If these efforts are not successful, Anaconda will need to raise additional capital in order to fund any shortfall in working capital, unfunded corporate and administrative expenses, debt service, capital-expenditure requirements and other contractual obligations over the next 12 months.

As at November 30, 2011, the Company had a working capital deficiency of \$5,283,015 (2011 - \$5,329,850, as restated, *note 29*), an accumulated deficit of \$36,547,044 (2011 - \$34,945,311, as restated, *note 29*) and negative cash flow from operations of \$771,119 (2011 - 645,670, as restated, *note 29*). Anaconda has no proven history of performance, earnings or success. All these factors cast considerable doubt as to whether the Company will be able to continue as a going concern over the next 12 months should it not be able to profitably produce and sell its gold production and/or obtain the necessary financing to fund working capital and capital expenditures.

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 on the consolidated balance sheets is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties and upon future profitable production or, alternatively, the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company has raised funds throughout the current and prior fiscal years and 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. Basis of preparation

2.1 Statement of compliance

These unaudited interim consolidated financial statements (the "Financial Statements") have been prepared in accordance with IAS 34 *'Interim Financial Reporting'* ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS interim consolidated financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending May 31, 2012. Previously, the Company prepared its annual and interim consolidated

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian “GAAP”).

As these are the Company’s first set of interim consolidated financial statements in accordance with IFRS, the Company’s disclosure exceeds the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company’s accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company’s fiscal 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP. In fiscal 2012 and beyond, the Company may not provide the same amount of disclosure in the Company’s interim consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

2.2 Basis of presentation

These Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in *note 4*. The comparative figures presented in these Financial Statements are in accordance with IFRS **and have not been audited**. Also, see *note 29* regarding the Company’s change of accounting policy with regard to inventory valuation.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company’s financial year beginning on or after June 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- **IFRS 9 ‘Financial Instruments: Classification and Measurement’** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- **IFRS 10 ‘Consolidated Financial Statements’** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- **IFRS 11 ‘Joint Arrangements’** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- **IFRS 12 ‘Disclosure of Interests in Other Entities’** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

- **IFRS 13 'Fair Value Measurement'** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however it is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

3. First time adoption of IFRS

The Company has adopted IFRS on June 1, 2011 with a transition date of June 1, 2010 (the "Transition Date"). Under **IFRS 1 'First time Adoption of International Financial Reporting Standards'**, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions or mandatory exceptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of **IFRS 2, Share-based payments**, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;
- to apply the requirements of **IFRS 3, Business Combinations**, prospectively from the Transition Date;
- to apply the requirements of IAS 23 (paragraphs 27 and 28) only to borrowing costs prospectively from the Transition Date;
- retrospective application of IFRS would require the Company to determine cumulative currency translation difference in accordance with *IAS 21 – The effects of Changes in Foreign Exchange Rates* from the date a subsidiary was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at the Transition Date; and
- International Financial Reporting Interpretation Committee's *IFRIC 1 - Changes in Existing Decommission, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration of similar liability to be added to or deducted from the cost of the asset to which it relates. IFRS 1 exemption allows a first-time adopter to not comply with these requirements for changes in such liabilities that occurred before the date of transition to IFRS. The Company has elected to take this exemption.

The Company has complied with the following mandatory exceptions:

- IFRS 1.B3 allows the Company to apply the de-recognition requirements of IAS 39 retrospectively from a date of entity's choosing. The Company has chosen the Transition Date.
- Estimates - Hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS.

Below is the Company's Consolidated Statement of Financial Position as at the Transition Date of June 1, 2010 under IFRS:

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

	As at June 1, 2010			
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	Notes
	\$	\$	\$	
Assets				
Current Assets				
Cash and cash equivalents	533,628	-	533,628	
Restricted cash	96,068	-	96,068	
Trade and other receivables	736,979	-	736,979	
Prepaid expenses and deposits	23,661	-	23,661	
Inventory	731,537	-	731,537	
	2,121,573	-	2,121,573	
Investments	336,600	-	336,600	
Deferred transaction costs	79,581	-	79,581	
Restricted cash	777,479	-	777,479	
Mineral properties and deferred exploration expenditures	4,700,641	(4,700,641)	-	(a)
Leasehold improvements	4,512	-	4,512	
Property, mill and equipment	13,192,874	-	13,192,874	
	21,213,260	(4,700,641)	16,512,619	
Liabilities				
Current Liabilities				
Trade and other payables	2,340,291	-	2,340,291	
Due to related parties	676,436	-	676,436	
	3,016,727	-	3,016,727	
Convertible loan	1,790,000	16,700	1,806,700	(b)
Convertible debenture	1,499,986	93,422	1,593,408	(b)
Debentures	2,411,444	(14,372)	2,397,072	(b)
Asset retirement obligations	605,875	442,434	1,048,309	(c)
	9,324,032	538,184	9,862,216	

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

As at June 1, 2010				
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	Notes
	\$	\$	\$	
Equity				
Common shares	26,252,558	-	26,252,558	
Equity portion of convertible loans and debentures	466,700	54,697	521,397	(b)
Reserve for warrants	1,223,573	-	1,223,573	
Reserve for share-based payments (contributed surplus – CGAAP)	5,247,362	(99,640)	5,147,722	(e)(f)
Deficit	(20,180,615)	(5,193,882)	(25,374,497)	(a)-(e)
Accumulated other comprehensive loss	(1,120,350)	-	(1,120,350)	
	11,889,228	(5,238,825)	6,650,403	
	21,213,260	(4,700,641)	16,512,619	

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Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP:

Reconciliation of assets, liabilities and equity

	As at November 30, 2010			Notes
	CGAAP (RESTATED - note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Assets				
Current Assets				
Cash and cash equivalents	177,017	-	177,017	
Restricted cash	161,650	-	161,650	
Trade and other receivables	965,536	-	965,536	
Prepays	76,240	-	76,240	
Inventory	546,578	-	546,578	
	1,927,021	-	1,927,021	
Shares of New Island Resources Inc.	2,258,897	-	2,258,897	
Deferred transaction costs	608,610	-	608,610	
Restricted cash	674,751	-	674,751	
Mineral properties and deferred expenditures	1,584,534	(1,584,534)	-	(a)
Leasehold improvements	2,868	-	2,868	
Property, mill and equipment	14,535,709	-	14,535,709	
	21,592,390	(1,584,534)	20,007,856	
Liabilities				
Current Liabilities				
Trade and other payables	5,201,141	-	5,201,141	
Due to related parties	473,849	-	473,849	
Current portion of long-term debt	1,194,330	-	1,194,330	
	6,869,320	-	6,869,320	
Loans	543,246	-	543,246	
Convertible loan	1,809,654	14,777	1,824,431	(b)
Convertible debentures	1,528,695	81,791	1,610,486	(b)
Debentures	2,501,565	(16,365)	2,485,200	(b)
Asset retirement obligations	642,227	430,088	1,072,315	(c)
	13,894,707	510,291	14,404,998	

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

	As at November 30, 2010			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Equity				
Common shares	29,514,218	-	29,514,218	
Equity portion of convertible loans and debentures	466,700	54,697	521,397	(b)
Reserve for warrants	1,259,316	-	1,259,316	
Reserve for share-based payments (contributed surplus for CGAAP)	5,577,543	(11,808)	5,565,735	(e)(f)
Deficit	(28,476,308)	(3,042,572)	(31,518,880)	(a)-(e)
Accumulated other comprehensive loss	(643,786)	904,858	261,072	(d)
	7,697,683	(2,094,825)	5,602,858	
	21,592,390	(1,584,534)	20,007,856	

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Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

Reconciliation of assets, liabilities and equity

	As at May 31, 2011			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Assets				
Current Assets				
Cash and cash equivalents	290,882	-	290,882	
Restricted cash	565,086	-	565,086	
Trade and other receivables	364,478	-	364,478	
Prepaid expenses and deposits	77,596	-	77,596	
Due from related parties	861,646	-	861,646	
Inventory	794,132	-	794,132	
	2,953,820		2,953,820	
Restricted cash	677,499	-	677,499	
Mineral properties and deferred expenditures	1,795,317	(1,795,317)	-	(a)
Property, mill and equipment	17,574,168	-	17,574,168	
	23,000,804	(1,795,317)	21,205,487	
Liabilities				
Current Liabilities				
Trade and other payables	5,360,235	-	5,360,235	
Due to shareholders	387,320	-	387,320	
Current portion of loans and debentures	1,531,584	-	1,531,584	
Promissory notes	1,004,529	-	1,004,529	
	8,283,670	-	8,283,670	
Loans	225,111	-	225,111	
Convertible loan	1,829,341	12,718	1,842,059	(b)
Convertible debentures	1,558,324	69,273	1,627,597	(b)
Debentures	2,602,551	(18,561)	2,583,990	(b)
Asset retirement obligations	678,581	417,740	1,096,321	(c)
	15,177,575	481,170	15,658,745	

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

	As at May 31, 2011			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Equity				
Common shares	31,469,190	-	31,469,190	
Equity portion of convertible loans and debentures	466,700	54,697	521,397	(b)
Reserve for warrants	1,449,873	-	1,449,873	
Reserve for share-based payments (contributed surplus for CGAAP)	6,005,924	3,235	6,009,159	(e)(f)
Deficit	(31,568,458)	(3,376,853)	(34,945,311)	(a)-(e)
Accumulated other comprehensive loss	-	1,042,434	1,042,434	(d)
	7,823,229	(2,276,487)	5,546,742	
	23,000,804	(1,795,317)	21,205,487	

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Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

Reconciliation of statement of loss

	Three months ended November 30, 2010			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Revenue				
Sales	1,136,082	-	1,136,082	
Cost of goods sold				
Mill operations	530,620	-	530,620	
Mining costs	517,342	-	517,342	
Direct wages	1,142,501	-	1,142,501	
Net smelter returns	38,206	-	38,206	
	(2,228,669)	-	(2,228,669)	
Gross margin	(1,092,587)	-	(1,092,587)	
Administrative Expenses				
Office and general	147,985	-	147,985	
Consulting and professional fees	610,753	-	610,753	
Share-based compensation	102,496	43,310	145,806	(e)
Representation and travel	36,395	-	36,395	
Shareholder and regulatory reporting	61,678	-	61,678	
Salaries and benefits	(5,107)	-	(5,107)	
Depletion and depreciation	71,937	-	71,937	
	(1,026,136)	(43,310)	(1,069,446)	
Exploration and evaluation expenditures	-	(62,310)	(62,310)	(a)
Write-down of deferred exploration expenditures	(42,503)	42,503	-	(a)
Interest expense (net of interest income)	(609,578)	14,094	(595,484)	(b)(c)
Foreign exchange gains (losses)	31,691	(69,765)	(38,074)	(d)
Realized loss on sale of investments	(1,464,000)	-	(1,464,000)	
	(3,110,526)	(118,788)	(3,229,314)	
Net loss before income taxes	(4,203,113)	(118,788)	(4,321,901)	
Future income tax expense	68,618	-	68,618	
Net loss	(4,134,495)	(118,788)	(4,253,283)	

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

Reconciliation of statement of loss

	Six months ended November 30, 2010			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Revenue				
Sales	1,633,043	-	1,633,043	
Cost of goods sold				
Mill operations	1,148,817	-	1,148,817	
Mining costs	840,894	-	840,894	
Direct wages	1,167,952	-	1,167,952	
Net smelter returns	43,780	-	43,780	
	(3,201,443)	-	(3,201,443)	
Gross margin	(1,568,400)	-	(1,568,400)	
Administrative Expenses				
Office and general	537,580	-	537,580	
Consulting and professional fees	956,715	-	956,715	
Share-based compensation	330,182	87,832	418,014	(e)
Representation and travel	50,370	-	50,370	
Shareholder and regulatory reporting	144,880	-	144,880	
Salaries and benefits	89,262	-	89,262	
Depletion and depreciation	266,465	-	266,465	
	(2,551,118)	87,832	(2,463,286)	
Exploration and evaluation expenditures	-	(62,310)	(62,310)	(a)
Write-down of deferred exploration expenditures	2,007,596	(2,007,596)	-	(a)
Loss on sale of property	(1,442,281)	1,442,281	-	(a)
Interest expense (net of interest income)	(903,623)	27,893	(875,730)	(b)(c)
Foreign exchange gains (losses)	(199,560)	(904,858)	(1,104,418)	(d)
Realized loss on sale of investments	(1,464,000)	-	(1,464,000)	
Gain on sale of properties	1,170,821	-	1,170,821	
	(3,382,165)	(1,416,758)	(4,798,923)	
Net loss before income taxes	(4,950,565)	(1,416,758)	(6,367,323)	
Future income tax expense	50,870	-	50,870	
Net loss	(4,899,695)	(1,416,758)	(6,316,453)	

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

Reconciliation of statement of loss

	Year ended May 31, 2011			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Revenue				
Sales	7,325,083	-	7,325,083	
Other income	150,035	-	150,035	
	7,475,118	-	7,475,118	
Cost of goods sold				
Mill operations	2,556,909	-	2,596,909	
Mining costs	3,288,621	-	3,288,621	
Direct wages	2,498,065	-	2,498,065	
Net smelter returns	209,044	-	209,044	
Toll-milling costs	229,523	-	229,523	
	8,782,162	-	8,782,162	
Gross margin	(1,307,044)	-	(1,307,044)	
Administrative Expenses				
Office and general	483,886	-	483,886	
Consulting and professional fees	1,896,650	-	1,896,650	
Share-based compensation	648,098	102,875	750,973	(e)
Representation and travel	123,512	-	123,512	
Shareholder and regulatory reporting	206,653	-	206,653	
Salaries and benefits	508,803	-	508,803	
Depletion and depreciation	588,945	-	588,945	
	(4,456,547)	(102,875)	(4,559,422)	
Transaction costs	(533,610)	-	(533,610)	
Loss on sale of investments	(1,464,000)	-	(1,464,000)	
Exploration and evaluation expenditures	-	841,272	841,272	(a)
Write-down of deferred exploration expenditures	(580,896)	580,896	-	(a)
Loss on sale of property	(1,483,157)	1,483,157	-	(a)
Interest expense	(1,686,904)	57,016	(1,629,888)	(b)(c)
Foreign exchange gains (losses)	(207,804)	(1,042,434)	(1,250,238)	(d)
	(10,412,918)	1,817,032	(8,595,886)	
Net loss before income taxes	(11,719,962)	1,817,032	(9,902,930)	
Future income tax expense	160,050	-	160,050	
Net loss	(11,559,912)	1,817,032	(9,742,880)	

Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

Reconciliation of comprehensive loss

	Three months ended November 30, 2010			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Net loss	(4,134,495)	(118,788)	(4,253,283)	(a)(b)
Other comprehensive loss:				
Unrealized loss on available-for-sale investments	(643,786)	-	(643,786)	
Reclassification of realized losses to income	1,225,002	-	1,225,002	
Translation gains (losses) on foreign operations	-	69,766	69,766	(d)
Total comprehensive loss	(3,553,279)	(49,022)	(3,602,301)	

	Six months ended November 30, 2010			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Net loss	(4,899,695)	(1,416,758)	(6,316,453)	(a)(b)
Other comprehensive loss:				
Unrealized loss on available-for-sale investments	(748,438)	-	(748,438)	
Reclassification of realized losses to income	1,225,002	-	1,225,002	
Translation gains (losses) on foreign operations	-	904,858	904,858	(d)
Total comprehensive loss	(4,423,131)	(511,900)	(4,935,031)	

	Year ended May 31, 2011			Notes
	CGAAP (RESTATED- note 29)	Effect of transition to IFRS	IFRS (RESTATED- note 29)	
	\$	\$	\$	
Net loss	(11,559,912)	1,817,032	(9,742,880)	(a)-(e)
Other comprehensive loss:				
Unrealized loss on available-for-sale investments	-	-	-	
Reclassification of realized losses to income				
Translation gains (losses) on foreign operations	-	1,042,434	1,042,434	(d)
Total comprehensive loss	(11,559,912)	2,859,466	(8,700,446)	

Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

Reconciliation of Cash Flows

	Six months ended November 30, 2010			Notes
	CGAAP (RESTATE- note 29)	Effect of transition to IFRS	IFRS (RESTATE- note 29)	
	\$	\$	\$	
Operations				
Net loss	(4,899,695)	(1,416,758)	(6,316,453)	(a)-(e)
Adjustments to reconcile net loss to cash flow from operating activities:				
Depletion and amortization	259,724	-	259,724	
Share-based compensation	330,182	87,832	418,014	(e)
Future income taxes (recoveries)	(50,870)	-	(50,870)	
Foreign exchange (gains) losses	(2,542,503)	2,546,520	4,017	(f)
Interest accretion on convertible loans and debentures	142,346	(15,547)	126,799	(b)
Interest accretion on asset retirement obligations	48,698	(12,346)	36,352	(c)
Loss on sale of investments	1,464,000	-	1,464,000	
Interest paid with issuance of shares	249,797	-	249,797	
Foreign currency translation of subsidiary	904,858	-	904,858	
Loss on sale of property	1,483,157	(1,483,157)	-	(a)
Write-down of deferred exploration expenditures	524,440	(524,440)	-	(a)
Net change in non-cash operating working capital items:				
Trade and other receivables	(318,796)	-	(318,796)	
Prepaid expenses and deposits	(62,477)	-	(62,477)	
Inventory	357,027	-	357,027	
Trade and other payables	2,282,339	-	2,282,339	
	172,227	(817,896)	(645,671)	
Financing				
Related-party advances	473,849	-	473,849	
Long-term debt	1,757,113	-	1,757,113	
	2,230,961	-	2,230,961	
Investing				
Purchase of property, mill and equipment	(1,600,916)	-	(1,600,916)	
Expenditures on deferred exploration	(817,896)	817,896	-	(a)
Proceeds on sale of investments	153,000	-	153,000	
Deferred transaction costs	(529,029)	-	(529,029)	
Restricted cash	37,146	-	37,146	
	(2,757,695)	817,896	(1,939,799)	
Effect of exchange rate changes on cash and cash equivalents				
	(2,102)	-	(2,102)	
Net increase in cash and cash equivalents	(356,611)	-	(356,611)	
Cash and cash equivalents, beginning of period	533,628	-	533,628	
Cash and cash equivalents, end of period	177,017	-	177,017	

Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

Reconciliation of Cash Flows

	Year ended May 31, 2011			Notes
	CGAAP (RESTATEd- note 29)	Effect of transition to IFRS	IFRS (RESTATEd note 29)	
	\$	\$	\$	
Operations				
Net loss	(11,559,912)	1,817,032	(9,742,880)	(a)-(e)
Adjustments to reconcile net loss to cash flow from operating activities:				
Depletion and amortization	445,807	-	445,807	
Share-based compensation	648,098	102,875	750,973	(e)
Future income taxes (recoveries)	(160,050)	-	(160,050)	
Foreign exchange (gains) losses	15,478	(135,765)	(120,287)	(d)
Interest accretion on convertible loans and debentures	340,088	32,323	372,411	(b)
Interest accretion on asset retirement obligations	72,704	24,692	97,396	(c)
Loss on sale of investments	1,464,000	-	1,464,000	
Loss on sale of property	580,896	(580,896)	-	(a)
Write-down of deferred exploration expenditures	1,483,157	(1,483,157)	-	(a)
Promissory note interest paid by issuance of shares	222,882	-	222,882	
Debenture interest paid by issuance of shares	249,797	-	249,797	
Net change in non-cash operating working capital items:				
Trade and other receivables	367,209	-	367,209	
Prepaid expenses and deposits	(3,173)	-	(3,173)	
Inventory	191,819	-	191,819	
Trade and other payables	3,092,095	-	3,092,095	
	(2,549,105)	(222,896)	(2,772,001)	
Financing				
Issuance of common shares	556,585	-	556,585	
Related party repayments	(98,670)	-	(98,670)	
Repayment of government loan	(78,644)	-	(78,644)	
Proceeds from promissory notes	2,228,834	-	2,228,834	
Proceeds from loans and debentures	1,750,000	-	1,750,000	
	4,358,105	-	4,358,105	
Investing				
Purchase of property, mill and equipment	(1,665,856)	-	(1,665,856)	
Expenditures on deferred exploration	(222,896)	222,896	-	(a)
Deferred transaction costs	79,581	-	79,581	
Restricted cash	(369,038)	-	(369,038)	
	(2,025,169)	222,896	(1,802,273)	
Effect of exchange rate changes on cash and cash equivalents				
	(26,577)	-	(26,577)	
Net increase (decrease) in cash and cash equivalents	(242,746)	-	(242,746)	
Cash and cash equivalents at beginning of period	533,628	-	533,628	
Cash and cash equivalents, end of period	290,882	-	290,882	

Anaconda Mining Inc.
Notes to the Unaudited Interim Consolidated Financial Statements
For the 3 and 6 months ended November 30, 2011 and 2010

Notes to Reconciliations

a) Acquisition, exploration and evaluation expenditures

Canadian GAAP – Prior to 2011, the Company used the policy to defer the cost of mineral properties and their related exploration and development costs until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

IFRS – Acquisition, exploration and evaluation expenditures for each property are expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale.

b) Financial instruments

Transaction costs

Canadian GAAP – provides a policy choice election either to capitalize transaction costs as part of the fair value on initially acquiring a financial asset or a financial liability not classified as held-for-trading (“HFT”) or fair value through profit and loss (“FVTPL”) or to expense them directly through profit and loss. The Company has been expensing such transaction costs through profit and loss.

IFRS – *IAS 32* and *IAS 39* require, for a financial asset or a financial liability not classified as FVTPL, transaction costs directly attributable to acquiring or issuing the asset or liability to be added or deducted from the fair value on initial recognition.

Compound financial instruments

Canadian GAAP – provides an entity with choices of the method of determination of allocation of the liability and the equity components. One of these is consistent with guidance in *IAS 32*; alternatively an entity may assign a residual value to the less easily measurable component (liability or equity) after deducting from the issue proceeds the fair value of the more easily fair-valued component.

IFRS – *IAS 32* and *IAS 39* require compound financial instruments to be separated into its liability and equity components upon initially recognizing the instrument, and this is not subsequently revised. *IFRS* requires first to determine the fair value of the liability component with the resulting residual amount being the equity component.

c) Asset retirement obligations

Canadian GAAP – requires the fair value of the asset retirement obligation to be recorded when it is incurred and the corresponding increase to the asset to be amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement of fair value. Under *CGAAP*, the Company used a 12% interest rate to discount the liability.

IFRS – *IAS 37.47* requires the discount used to be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall

Anaconda Mining Inc.

Notes to the Unaudited Interim Consolidated Financial Statements

For the 3 and 6 months ended November 30, 2011 and 2010

not reflect risks for which future cash-flow estimates have been adjusted. Under IFRS, the Company used the interest-free rate adjusted for inflation, that being 4.58%.

d) Functional currency and foreign operations

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per *IAS 21 – Foreign exchange* and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The group’s functional currency is the United States Dollar (“US\$”) for operations in USA and the Canadian dollar (“CDN\$”) for operations in Canada. The consolidated financial statements are presented in Canadian dollars which is the group’s presentation currency.

Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in a separate component of equity, that being accumulated other comprehensive income.

e) Share-based compensation

Estimated life of options

Canadian GAAP – For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Forfeitures

Canadian GAAP – Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

Value of goods / services received

Canadian GAAP – share-based payments to non-employees generally were measured at the more reliably measurement amount of either the fair value of the goods or services received, or the fair value of the award, at the earlier of the performance commitment date or the performance completion date.

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IFRS – share-based payments to non-employees generally are measured based on the fair value of the goods or services received at the date of receiving those goods or services. IFRS provides a broader range of who would be considered an employee of the Company. IFRS considers non-employees who provide services similar to services provided by an employee, to be an employee.

f) Reserves

Under Canadian GAAP – Prior to 2011, the Company recorded the value of share-based compensation to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share-based payments" and any other component of equity.

4. Significant accounting policies

Principles of consolidation

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

Significant accounting judgments and estimates

The preparation of these Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, mill and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and other highly liquid short-term investments, which may be settled on demand or within a maximum 90 day period to maturity.

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Revenue recognition

Revenue from the sales of metal in concentrate is recognized when persuasive evidence of a sales agreement exists, title and risk is transferred to the customer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sales of metal may be subject to adjustment upon final settlement of shipment weights, assays and estimated metal prices. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. Cash received in advance of meeting these revenue recognition criteria is recorded as deferred revenue. Interest revenue is accrued as earned.

Property, mill and equipment (“PME”)

Property, mill and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PME consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depletion and depreciation are provided at rates calculated to write off the cost of PME, less their estimated residual value, using the declining balance method or unit-of-production method over the following expected useful lives:

• Computer equipment and software	20%
• Office equipment	20%
• Field Equipment	20%
• Property	units-of-production

An item of PME is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PME and any changes arising from the assessment are applied by the Company prospectively.

Where an item of mill and equipment comprises major components with different useful lives, the components are accounted for as separate items of mill and equipment. Expenditures incurred to replace a component of an item of property, mill and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Joint venture participation and accounting

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

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

Joint venture accounting is applied by the Company only when commercial feasibility is established and the parties enter into formal comprehensive agreements for ownership and mining participation terms.

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Accordingly, the Company records funding contributions prior to such agreements as reductions of carrying costs and no gain or loss on disposition of a partial interest is recorded.

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.

Financial instruments 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.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's other financial assets and instalments receivable are classified financial assets as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

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Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. As at November 30, 2011, the Company has not classified any financial liabilities as FVTPL.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired:

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

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Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Depletion, depreciation and amortization

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.

Property, mill and equipment at the Pine Cove project are depleted and depreciated on a units-of-production basis over the expected life of the mine.

Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

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Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred

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tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

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Loss per share and comprehensive loss per share

Loss per share and comprehensive loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss and comprehensive net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same. For the 6 months ended November 30, 2011 and 2010, all the outstanding options and warrants were anti-dilutive.

Inventory

The Company's accounting policy for inventory assumes that material extracted from our Pine Cove project is either ore or waste. Ore represents material that, at the time of extraction, is expected to be processed, or to have been processed, into saleable form and sell at a profit. Ore is recorded as an asset and included in inventory as it is extracted from the open pit. Ore is accumulated in stockpiles that are subsequently processed into gold in saleable form. Gold work-in-process represents gold in the processing circuit that has not completed the production process, and is not yet in saleable form.

Raw materials (gold in stockpiles) is measured by estimating the number of tons added and removed from stockpile and the associated estimate of gold contained therein (based on empirical assay data) and applying estimated metallurgical recovery rates. Stockpile or tonnages are verified by periodic surveys. Costs are allocated to ore stockpiles based on quantities of material stockpiled using current mining costs incurred up to the point of stockpiling the ore and include cost allocations from waste mining costs and overheads relating to mining operations (excluding depletion and depreciation – see *note 28* regarding accounting policy change in this regard). Once ore is processed, costs are removed based on recoverable quantities of gold using the stockpile's average cost per unit. Provisions are deducted in order to reduce the inventory to net realizable value.

Gold in process and gold dore are recorded at average costs, less provisions required to reduce inventory to market value. Average cost is calculated based on the costs of inventory at the beginning of a period plus the cost of inventory produced during the current period. Costs capitalized to in-process and finished goods inventory include the cost of stockpiles processed, direct and indirect materials and consumables, direct labour, repairs and maintenance, utilities, amortization of property, mill and equipment and local mine administrative expenses. Costs are removed from inventory and recorded in cost of sales and amortization expense based on the average cost per ounce of gold in inventory.

Comprehensive income / (loss)

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

Capital disclosure and financial instruments – disclosure and presentation.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company's capital management disclosures are contained in *note 3* to these consolidated financial statements.

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Sections 3862 and 3863 that replace Handbook Section 3861 – “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Anaconda’s disclosure under these Sections is contained in this *note 4* to the Financial Statements.

Transaction costs

Transactions costs associated with FVTPL financial assets and FVTPL financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has not financial liabilities classified as FVTPL.

Credit risk and the fair value of financial assets and financial liabilities

The Company's credit risk and the credit risk of its counterparties is considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments.

Account reclassifications

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

5. 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 its Pine Cove project cash flow and 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 and/or warrants, 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 6 months ended November 30, 2011. The Company is not subject to externally imposed capital restrictions.

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6. *Financial instruments*

Fair value

The Company has, designated its cash and cash equivalents as FVTPL, which are measured at fair value. The Company's other financial assets have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade and other receivables, due from related parties and prepaid expenses and deposits are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, prepaid expenses and deposits, due to and from related parties and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at November 30, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

7. *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, trade and other receivables, prepaid expenses and deposits and due from related parties. 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 trade and other receivables consist of, in part, goods and services taxes receivable from the Canadian government and such amounts are in good standing as at November 30, 2011. Management believes that the credit risk associated with the financial instruments included relating to HST recoverable, is minimal.

Accounts receivable also consists of amounts due from the Company's metals broker regarding processed gold and silver enroute to the broker. Management believes the credit risk associated with the financial instruments contained in accounts receivable is minimal.

Financial instruments included in due from related parties include reimbursement of office costs and rent (and in fiscal 2011, property payments due from SBX). The credit risk associated with these

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financial instruments is limited to the carrying value, being \$100,971 at November 30, 2011 (May 31, 2011 - \$906,089).

Liquidity risk

As at November 30, 2011, the Company had a working capital deficiency of \$5,283,015 (May 31, 2011 - \$5,329,850, as restated, *note 29*). The Company utilized the proceeds from the financings through-out the first six months of fiscal 2012 for its working capital requirements. However, in order to meet its other short to medium-term working capital obligations, the Company intends to utilize the cash flow generated from the Pine Cove project's operations. If necessary, the Company may seek further financing for capital projects or general working capital purposes. 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, 2011, 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 no interest-bearing assets and only 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 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) 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.

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(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.

8. 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 to floating interest rates. As at November 30, 2011, if interest rates had decreased/increased by 1% with all other variables held constant, the difference in loss for the year ended November 30, 2010 would not be material, as a result of lower/higher interest income from cash and cash equivalents. As at November 30, 2011, 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 and Chilean pesos with a major Canadian and Chilean financial institution.

As at November 30, 2011, 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	350
Cash and cash equivalents	United States dollar	1,239
Receivables prepaids and deposits	Chilean peso	38
Accounts payable and accrued liabilities	Chilean peso	5,608
Due to related parties	Chilean peso	13,975

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	1,239	(1,239)
Chilean peso	(19,194)	19,194

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- (iii) 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 6 months ended November 30, 2011 would have been approximately \$2.0 million higher.

9. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with the banks in general non-interest bearing accounts totaling \$54,219 (May 31, 2011 - \$290,882).

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 \$Nil (May 31, 2011 - \$565,086), and long-term cash on deposit with a bank in an interest-generating money-market account with no stipulated terms of maturity of \$673,148 (May 31, 2011 - \$677,499).

During the 6 months ended November 30, 2011, the Company sought relief from the series I and series II debentures collateral security requirement to maintain restricted funds equal to 10% of gold revenues. The Company did not receive written approval from the required number of debenture holders (although it did receive verbal confirmation) for the release from this obligation. As such, as at November 30, 2011, the Company remained in technical default pursuant to the general security agreement between the Company and the debenture holders. Subsequent to November 30, 2011, the Company received written approval for the release of short-term restricted cash covenant from the required remaining debenture holder. As such, at the date of issue of these Financial Statements, the Company has cured the technical default. The debenture holder release was not permanent and must be sought and received at each of the Company's reporting dates until the debentures have matured.

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 and corporate credit card authorized spending limits:

	November 30, 2011	May 31, 2011
	\$	\$
General purpose		
Cash and cash equivalents	54,219	290,882
Restricted		
Cash ¹	-	565,086
Cash equivalents ²	673,148	677,499
Total restricted cash	673,148	1,242,585

¹During the 6 months ended November 30, 2011, the Company received verbal approval to release the balance of funds previously restricted in a debt-reduction escrow account as part of the agreement for the debentures and convertible debentures (notes 17 & 18). The cash was utilized for general working capital purposes. As noted above, the Company has cured the technical default, at the date of issue of these Financial Statements.

²This cash is restricted in concert with the Company's ARO obligations. It has issued letters of credit in the amount of \$565,500 to the Newfoundland and Labrador Newfoundland and Labrador government and \$79,000 to Fisheries and Oceans Canada in satisfaction of its requirements under the approved site

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development and that may only be lifted by Newfoundland and Labrador government or Fisheries and Oceans Canada, respectively. The Company also has corporate credit cards that have authorized limits secured by cash collateral of \$27,500.

10. Inventory

Anaconda's inventory balance of \$902,621 (May 31, 2011 - \$794,192, as restated, *note 29*) represented allocated costs (see *note 29*, regarding the Company's inventory valuation policy change) to ore stockpiles and in-circuit inventory based on quantities of material stockpiled and in the mill circuit including cost allocations from waste mining costs and overheads relating to mining and milling operations.

11. Property, mill and equipment

As at	November 30, 2011		May 31, 2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Mill	6,299,817	489,880	5,942,786	305,860
Equipment	385,636	79,630	317,594	52,222
Property	10,023,822	1,199,200	9,352,576	870,030
Property (40% interest) ¹	3,239,322	103,752	3,239,324	50,000
	19,948,597	1,872,462	18,852,280	1,278,112
Net book value	18,076,135		17,574,168	

¹ Acquisition of 40% interest not already owned by Anaconda.

12. Promissory notes

During the third and fourth fiscal quarters of 2011, Anaconda issued promissory with a face value of \$2,451,700 and maturity dates of June 29 and June 30, 2011. The promissory notes were issued at a 9.1% discount to face value, raising proceeds of \$2,228,818 that the Company utilized for working capital purposes. Some promissory notes were issued pursuant to a standby guarantee agreement whereby certain existing shareholders of the Company agreed to subscribe to and purchase a portion of the rights offering. The Company closed on its rights offering and issued 20,673,870 common shares (of a total of 31,686,444 common shares) in repayment of \$1,447,171 of the promissory notes. The balance remaining at November 30, 2011 was \$Nil (May 31, 2011 - \$1,004,529).

13. Due to shareholders

The balance of due to shareholders as at November 31, 2011, is \$197,352 (2010 - \$387,320). The funds have been advanced by shareholders of the Company and are represented by demand loans that are interest free with no fixed terms of repayment.

14. Loans

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The following table provides the details of the short and long-term components of the loans as at November 30, 2011 and May 31, 2011:

	November 30, 2011	May 31, 2011
	\$	\$
Principal balance at beginning of period/year	921,356	1,000,000
Less: principal repayments for the period/year	(138,443)	(78,644)
Principal balance at end of period/year	782,913	921,356
Less: short-term component (due within 1 year)	(660,038)	(696,245)
Long-term component at end of period/year	122,875	225,111

15. 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	98,772
Add: Interest accretion for fiscal 2010	101,928
Less: Principal repayment	(60,000)
Less: Value of conversion feature of new loan	(150,000)
Ending carrying value – May 31, 2010 (Transition Date)	1,806,700
Add: Interest accretion for fiscal 2011	35,359
Ending carrying value – May 31, 2011	1,842,059
Add: Interest accretion for period	20,682
Ending carrying value – November 30, 2011	1,862,741

16. Convertible debentures

	\$
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)
Add: Transaction costs	127,997
Original carrying value	1,536,997
Add: Interest accretion for fiscal 2009	19,284

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Add: Interest accretion for fiscal 2010	37,127
Ending carrying value – May 31, 2010 (Transition Date)	1,593,408
Add: Interest accretion for fiscal 2011	34,189
Ending carrying value – May 31, 2011	1,627,597
Add: Interest accretion for 3 months	30,808
Ending carrying value – November 30, 2011	1,658,405

17. Debentures

(a) 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)
Add: Transaction costs	19,166
Original carrying value	2,376,729
Add: Interest accretion for fiscal 2010	20,343
Ending carrying value – May 31, 2010	2,397,072
Add: Interest accretion for fiscal 2011	186,918
Ending carrying value – May 31, 2011	2,583,990
Add: Interest accretion for 3 months	109,935
Ending carrying value – November 30, 2011	2,693,925

(b) Series III

	\$
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 fiscal 2011	51,300

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Ending carrying value – May 31, 2011 (all current)	835,338
Less: Principal repayment	(150,000)
Add: Interest accretion for 3 months	12,656
Ending carrying value – November 30, 2011 (all current)	697,994

18. Asset retirement obligations

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

	November 30, 2011	May 31, 2011
	\$	\$
Opening balance	1,096,321	1,048,309
Interest accretion	27,142	48,012
Closing balance	1,123,463	1,096,321

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

In concert with the Company's ARO obligations, it has issued letters of credit in the amount of \$565,500 to the Newfoundland and Labrador government and \$79,000 to Fisheries and Oceans Canada in satisfaction of its requirements under the approved site development and that may only be lifted by Newfoundland and Labrador government or Fisheries and Oceans Canada, respectively.

19. Related-party transactions

During the 6 months ended November 30, 2011, the Financial Statements include \$83,200 (2010 - \$244,070) in consulting expense; \$137,401 (2010 - \$136,373) of interest charges of which \$20,682 (2010 - \$19,654) is non-cash interest accretion regarding the conversion feature of the convertible loan; \$78,000 (2010 - \$Nil) of corporate administration and accounting services and \$11,000 (2010 - \$Nil) of investor relations services. These expenses and interest charges were incurred with directors and/or officers of the Company or corporations controlled by them.

The Financial Statements include amounts due to shareholders in the form of demand loans (*note 13*) of \$197,352 (May 31, 2011 - \$387,320) and due to related parties of \$524,257 (2010 - \$Nil). In addition, accounts payable and accrued liabilities contain unpaid directors' fees of \$168,750 (May 31, 2011 - \$136,250); salary and salary continuance payments of \$125,860 (May 31, 2011 - \$235,500) to officers and/or directors of the Company or corporations controlled by them. An amount of \$139,746 (May 31, 2011 - \$Nil) is due to SBX, or companies controlled by it. The demand loans are interest free and have no fixed terms of repayment.

As at November 30, 2011, the due from related parties account balance includes amounts due from Raven Hill Partners in the amount of \$100,971 (May 31, 2011 - \$116,174) and from the Company's

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Chilean general manager, SBX (or companies controlled by it), of \$Nil (May 31, 2011 - \$789,915). Raven Hill Partners is beneficially owned by directors and officers of the Company.

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, 2010	103,163,871	26,252,558
Issued for cash:		
Rights offering	9,587,164	671,101
Issued under rights offering to repay promissory notes	20,673,870	1,447,171
Issued under rights offering to repay related-party loans	1,425,410	99,779
Costs of issuance	-	(118,766)
Issued pursuant to acquisition of 40% interest in Pine	22,602,315	3,168,571
Issued in lieu of series II debenture interest	979,586	249,797
Fair value of warrants issued	-	(301,021)
Balance at May 31, 2011	158,432,216	31,469,190
Issued for cash:		
Private placement	18,393,728	1,287,561
Cost of issuance	-	(10,656)
Balance at November 30, 2011	176,825,944	32,746,095

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 as at the date in 2007 that Colorado acquired Anaconda in its reverse takeover transaction plus Anaconda's share activity since the date of acquisition. The dollar amount of the legal stated capital of Anaconda therefore differs from the amounts reflected above.

Private placement – Fiscal 2012

On June 6, 2011, the Company announced that it had closed a non-brokered private placement of 16,999,728 common shares at \$0.07 per share, for gross proceeds of \$1,189,981. The common shares were issued, in part, to retire \$1,049,981 of promissory notes including accrued interest thereon, that were due at the end of June, 2011.

In addition, the Company issued on a non-brokered private placement basis, 1,394,000 flow-through common shares issuable pursuant to the private placement, raising additional proceeds of \$97,580.

Rights offering – Fiscal 2011

During fiscal 2011, the Company completed a rights offering of 31,686,444 common shares being issued, raising gross proceeds of \$2,218,051. Net proceeds after rights offering expenses were

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released to Anaconda and were used for working capital purposes. Anaconda called upon a standby guarantee and 20,673,870 shares were issued to the standby guarantors for the amount of unsubscribed rights and consideration was settled with the pay down of promissory notes totalling \$1,447,171.

(b) Warrants

The outstanding Issued Warrants balance at November 30, 2011, is comprised as follows:

Date of Expiry	Type	Fair Value	No. of Warrants	Exercise Price \$
April 23, 2012	Purchase warrants	256,976	7,294,923	0.20
May 11, 2012	Purchase warrants	7,063	195,800	0.20
July 25, 2012	Purchase warrants	565,735	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
May 3, 2013	Purchase warrants	301,021	7,921,611	0.08
Total		1,166,538	19,654,630	

The outstanding Issued Warrants balance at May 31, 2011, is comprised as follows:

Date of Expiry	Type	Fair Value	No. of Warrants	Exercise Price \$
April 23, 2012*	Purchase warrants	256,976	7,294,923	0.20
May 11, 2012*	Purchase warrants	7,063	195,800	0.20
June 17, 2011	Purchase warrants	283,333	3,333,334	0.25
July 25, 2012*	Purchase warrants	565,737	3,984,069	0.22
March 20, 2012**	Purchase warrants	33,276	236,000	0.08
April 22, 2012**	Purchase warrants	2,467	22,227	0.08
May 3, 2013	Purchase warrants	301,021	7,921,611	0.08
Total		1,449,873	22,987,964	

*On April 11, 2011, Anaconda announced its intention to extend the expiry date by of unlisted common share purchase warrants originally issued under a non-brokered private placement in two tranches on April 23, 2009 and May 11, 2009 as well as warrants originally issued under a non-brokered private placement on January 25, 2010, by one year.

**The Company reduced the exercise price of these warrants from \$0.30 to \$0.08, as well as extending the exercise date by one year to March 20, 2012 and to April 22, 2013, respectively.

(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,

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the Company has 5,717,594 (November 30, 2010 – 4,243,459) options available for issuance under the plan. Continuity of the unexercised options to purchase common shares is as follows:

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	November 30, 2011		May 31, 2011	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of period	0.24	12,415,000	0.38	7,225,000
Transactions during the period:				
Granted	0.09	750,000	0.11	5,850,000
Exercised	-	-	-	-
Forfeited	-	-	0.66	(660,000)
Expired	0.23	(1,200,000)	-	-
Outstanding at end of period	0.23	11,965,000	0.24	12,415,000
Exercisable at end of period		5,365,000		5,365,000

The following table provides additional information about outstanding stock options at November 30, 2011:

Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)	No. of Options Currently Exercisable
0.00 – 0.15	6,600,000	4.1	0.11	650,000
0.16 – 0.79	4,150,000	3.1	0.21	4,150,000
0.80 – 1.10	1,215,000	0.8	0.94	565,000
	11,965,000	3.5	0.23	5,365,000

Share-based compensation

The fair value of the stock options granted for the 6 months ended November 30, 2011 was \$55,750 (November 30, 2010 – \$Nil). Current vesting of outstanding options for the 6 months ended November 30, 2011, totaled \$294,782 (2010 - \$418,014), which amount has been expensed as share-based compensation in the statement of operations. The weighted average grant-date fair value of options granted during the 6 months ended November 30, 2011 was \$0.074 (November 30, 2010 – \$Nil) per option issued.

The Company used the Black-Scholes option pricing model to determine the fair value of the options issued during the period. The variables used were as follows: Risk-free rate – 1.15%, expected volatility – 131.6%, dividend yield of 0%; and expected life – 4.9 years.

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21. Reserve for warrants

A summary of the changes in the Company's reserve for warrants for the 6 months ended November 30, 2011 and the year ended May 31, 2011 is set out below:

	November 30, 2011	May 31, 2011
	Amount	Amount
	\$	\$
Balance at beginning of period/year	1,449,873	1,223,573
Fair value of issued warrants	-	301,021
Fair value of Series III warrants	-	35,743
Reserve transferred on expiry of warrants	(283,335)	(110,463)
Balance at end of period/year	1,166,538	1,449,873

22. Reserve for share-based payments

A summary of the changes in the Company's reserve for share-based payments for the 6 months ended November 30, 2011 and the year ended May 31, 2011 is set out below:

	November 30, 2011	May 31, 2011
	Amount	Amount
	\$	\$
Balance at beginning of period/year	6,009,159	5,147,722
Share-based compensation	294,782	750,973
Reserve transferred on expiry of warrants	283,335	110,463
Balance at end of period/year	6,587,275	6,009,159

23. Trade and other receivables

The Company's trade and other receivables arise from two main sources: Trade receivables from the Company's metals broker for sold but unpaid gold and harmonized services tax ("HST") receivable due from government taxation authorities. A breakdown of the Company's trade and other receivables is set out below:

	As at,		
	November 30,	May 31,	June 1,
	2011	2011	2010
	\$	\$	\$
Gold sales receivable	-	94,378	128,820
HST receivable	120,659	225,033	592,242
Other	381	624	3,387
Total trade and other receivables	121,040	320,035	736,979

Below is an aged analysis of the Company's trade and other receivables:

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	As at,		
	November 30, 2011	May 31, 2011	June 1, 2010
	\$	\$	\$
Less than 1 month	381	319,411	721,062
30 – 60 days	120,659	624	3,387
Total trade and other receivables	121,040	320,035	736,979

At November 30, 2011, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in *note 7*.

The Company holds no collateral for any receivable amounts outstanding as at November 30, 2011.

24. Trade and other payables

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration, mining, administrative and financing activities. The usual credit period taken for trade purchases is between 60 to 120 days.

The following is an aged analysis of the trade and other payables:

	As at,		
	November 30, 2011	May 31, 2011	June 1, 2010
	\$	\$	\$
Less than 1 month	346,757	982,881	717,310
30 – 90 days	2,377,934	1,708,396	860,059
Greater than 3 months	1,815,985	2,668,958	762,922
Total trade and other payables	4,540,676	5,360,235	2,340,291

25. Exploration and evaluation expenditures

The evaluation and exploration expenditures for the Company are broken down as follows:

	Six months ended		Cumulative to date
	November 30, 2011	November 30, 2010	
	\$	\$	\$
San Gabriel	880,205	(1,170,821) ¹	2,675,522
Pine Cove	194,116	-	194,116
	1,074,321	(1,170,821)	2,869,638

¹Negative expenditures reflect the amounts recovered against previous expenditures upon the sale of 50% of the property to SBX during the first quarter of fiscal 2011.

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In June 2011, the fiscal 2012 commitment of US\$1,720,000 has been paid by SBX pursuant to the terms of the sale transaction between SBX and the Company that was completed in the first quarter of fiscal 2011.

26. Segmented information

The Company has assets and operations in Chile (see *note 29*) and Canada. Information regarding the Company's reportable segments that are by geographical area is as follows:

6 months ended November 30,		2010 (RESTATED – <i>note 29</i>)
	2011	
	\$	\$
Revenues:		
Canada	8,311,498	1,633,043
Consolidated Revenues	8,311,497	1,633,043

Net Loss		
Canada	(477,051)	(4,029,897)
Chile	(1,124,680)	(2,280,239)
Consolidated Net Loss	(1,601,731)	(6,316,453)

Geographical Allocation of Significant Non-Cash Items

Canada		
Share-based compensation	294,782	418,014
Interest accretion on convertible loan, convertible debentures and debentures	174,082	126,799
Interest accretion on asset retirement obligation	27,143	36,352
Future income tax expense (recovery)	-	(50,870)
Depreciation, depletion and amortization	737,489	259,724
	1,076,816	790,019
Chile		
Amortization	-	8,540
	-	8,540
Consolidated Significant Non-Cash Items	1,076,816	798,559

As at	August 31, 2011	May 31, 2011
Identifiable Assets:		
Canada	19,854,577	20,422,998
Chile	232,008	1,245,567

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Consolidated Identifiable Assets	20,086,585	21,668,565
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27. Commitments

Minimum payments for the Company's office lease commitments over the lease period are as follows: Fiscal 2012 - \$111,187; fiscal 2013 - \$222,375; fiscal 2014 - \$222,375; fiscal 2015 - \$222,375; fiscal 2016 – \$185,313

28. Subsequent events

Sale of Chilean property interests

On December 7, 2011, the Company announced that, pursuant to an agreement dated that day, it had closed the sale of its Chilean iron-ore exploration assets to a private Chilean company, Hierro Tal Tal S.A. ("Tal Tal"), for up to US\$11 million in cash payments, a gross sales royalty and a 1.25% carried interest in Compania Portuaria Tal Tal S.A. ("CPIT"). With the cash proceeds received at closing of US\$2 million, Anaconda paid the full principal amount plus accrued interest of approximately \$711,000 to the holders of the Series III Debentures. The remaining cash was used for working capital purposes.

Pursuant to the sale agreement, the Company is to receive another cash payment of US\$2 million on May 31, 2012.

29. Change in accounting policy

In the period ending November 30, 2011, the Company decided to change its inventory valuation accounting policy (*note 10*). The Company had been including an allocation of depreciation in its valuation of inventory. During the three months ended November 30, 2011, the Company elected to change its policy on inventory valuation and has therefore restated its comparative and IFRS transition balances. The change resulted in reduction to the previously reported inventory and a corresponding increase to the deficit of \$172,068 at June 1, 2010 (the IFRS transition date) and \$143,138 at May 31, 2011.