ANACONDA MINING INC.

Condensed Consolidated Interim Financial Statements
For the Three Months Ended
November 30, 2012 and 2011
(Expressed in Canadian Dollars)

Management's responsibility for financial reporting

The accompanying financial statements of Anaconda Mining Inc. (the "Company" or "Anaconda") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 of the Consolidated Financial Statements for the year ended May 31, 2012.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements 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.

Management's assessment of internal control over financial reporting ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

"Dustin Angelo"	"*Errol Farr*"
President and Chief Executive Officer	Chief Financial Officer
January 10, 2013	January 10, 2013

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

As at	November 30 2012 $	May 31 2012 $
Assets		
Current Assets		
Cash and cash equivalents (note 3)	**98,945**	678,568
Trade and other receivables (note 4)	**682,776**	100,976
HST receivable	**194,297**	222,767
Prepaid expenses and deposits	**141,849**	84,294
Inventory (note 5)	**1,293,764**	1,593,775
	2,411,631	2,680,381
Investments (note 6)	**50,000**	50,000
Restricted cash (note 3)	**810,840**	677,147
Exploration and evaluation assets (note 7)	**704,967**	309,539
Property, mill and equipment (note 8)	**17,192,912**	17,327,563
	21,170,350	21,044,630
Liabilities		
Current liabilities		
Trade and other payables (notes 9)	**2,261,518**	2,668,453
Current portion of loans and debentures (note 10)	**2,277,936**	360,099
	4,539,454	3,028,552
Loans and debentures (note 10)	**165,498**	3,341,728
Decommissioning liability (note 11)	**1,172,789**	1,146,533
	5,877,741	7,516,812
Shareholders' equity		
Share capital, reserves, convertible-debt equity and other comprehensive income (loss) (note 12)	**41,194,384**	41,068,473
Deficit	**(25,901,775)**	(27,540,655)
	15,292,609	13,527,818
	21,170,350	21,044,630

Approved by the Board of Directors on January 10, 2013

"Maruf Raza"
Director

"Lewis Lawrick"
Director

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(Canadian dollars)

	For the three months ended		For the six months ended	
	November 30 2012	November 30 2011	**November 30 2012**	November 30 2011
	$	$	**$**	$
Revenue				
Gold sales	**5,395,563**	3,792,044	**12,255,862**	8,311,498
Net smelter royalty	**160,082**	112,687	**364,428**	247,496
	5,235,481	3,679,357	**11,891,434**	8,064,002
Cost of sales				
Mill operations	**1,540,671**	1,047,943	**3,131,705**	2,258,849
Mining costs	**1,997,922**	731,006	**3,897,092**	1,913,485
Logistics	**64,646**	81,287	**131,344**	153,448
Project administration	**274,714**	438,014	**483,964**	817,979
Depletion and depreciation	**459,380**	319,535	**1,050,693**	737,489
	4,310,334	2,617,785	**8,694,799**	5,881,250
Gross margin (deficit)	**925,147**	1,061,572	**3,196,635**	2,182,752
Expenses				
Corporate administration	**535,354**	626,441	**990,671**	1,140,966
Share-based compensation	**65,448**	43,725	**125,911**	294,782
	600,802	670,166	**1,116,582**	1,435,748
Operating income (loss)	**324,344**	391,406	**2,080,053**	747,004
Interest expense	**298,276**	394,738	**432,163**	736,771
Foreign exchange (gains) losses	**36**	652,237	**9,010**	597,463
Chile costs	**-**	-	**-**	74,491
Gain on write-down of related party payable	**-**	-	**-**	(134,103)
Write-off of exploration and evaluation assets	**-**	-	**-**	879,997
	198,312	987,363	**441,173**	(2,154,619)
Net income (loss) for the period	**126,032**	(595,957)	**1,638,880**	(1,407,615)
Other comprehensive income (loss):				
Foreign exchange translation of foreign operations	**-**	(667,303)	**-**	(488,164)
Comprehensive income (loss) for the period	**126,032**	71,346	**1,638,880**	(919,451)
Net income (loss) per share – basic	**0.00**	(0.00)	**0.01**	(0.01)
Net income (loss) per share - fully diluted	**0.00**	(0.00)	**0.01**	(0.01)
Comprehensive income (loss) – basic	**0.00**	(0.00)	**0.01**	(0.01)
Comprehensive income (loss) – fully diluted	**0.00**	(0.00)	**0.01**	(0.01)
Weighted average number of shares outstanding				
- basic	**176,825,944**	176,825,944	**176,825,944**	176,624,919
- fully diluted	**187,568,027**	184,781,616	**189,224,541**	184,563,929

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(Canadian dollars)

	Share capital #	Share capital $	Share based payments $	Warrants $	Convertible debt equity $	Accumulated other comprehensive income (loss) $	Share capital, reserves, convertible-debt equity and other comprehensive income (loss) $	Deficit $	Total $
Balance at May 31, 2011	**158,432,215**	**31,469,190**	**3,403,798**	**4,051,999**	**447,359**	**(1,042,434)**	**38,329,912**	**(30,838,717)**	**7,491,195**
Private placement and settlement of promissory note	18,393,728	1,287,561	-	-	-	-	1,287,561	-	1,287,561
Share-based compensation	-	-	294,782	-	-	-	294,782	-	294,782
Foreign exchange translation of foreign operations	-	-	-	-	-	(488,164)	(488,164)	-	(488,164)
Net (loss) for the period	-	-	-	-	-	-	-	(1,407,615)	(1,407,615)
Balance at November 30, 2011	**176,825,943**	**32,756,751**	**3,698,580**	**4,051,999**	**447,359**	**(1,530,598)**	**39,424,091**	**(32,246,332)**	**7,177,759**
Cost of issuance	-	(10,653)	-	-	-	-	(10,653)	-	(10,653)
Share-based compensation	-	-	168,162	-	-	-	168,162	-	168,162
Elimination of cumulative translation loss on divestiture of Chilean mining interest	-	-	-	-	-	1,530,598	1,530,598	-	1,530,598
Net income for the period	-	-	-	-	-	-	-	4,705,677	4,705,677
Balance at May 31, 2012	**176,825,943**	**32,746,098**	**3,823,017**	**4,051,999**	**447,359**	**-**	**41,068,473**	**(27,540,655)**	**13,527,818**
Share-based compensation	-	-	125,911	-	-	-	125,911	-	125,911
Net income for the period	-	-	-	-	-	-	-	1,638,880	1,638,880
Balance at November 30, 2012	**176,825,943**	**32,746,098**	**3,948,928**	**4,051,999**	**447,359**	**-**	**41,194,384**	**(25,901,775)**	**15,292,609**

Anaconda Mining Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Canadian dollars)

	For the six months ended	
	November 30 2012 $	November 30 2011 $
Operations		
Net income (loss)	**1,638,880**	(1,407,615)
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Depletion and amortization	**1,050,693**	737,489
Share-based payments	**125,911**	294,782
Foreign exchange loss (gain)	**-**	597,463
Interest accretion of loans and debentures	**218,235**	87,041
Interest accretion of decommissioning liability	**26,256**	20,357
Net change in non-cash working capital items:		
Trade and other receivables	**(581,800)**	(138,763)
HST receivable	**28,470**	-
Prepaid expenses and deposits	**(57,555)**	(27,090)
Inventory	**300,011**	38,480
Trade and other payables	**(406,935)**	(238,357)
Cash flow provided from (used in) operating activities	**2,342,168**	(36,213)
Financing		
Issuance of common shares	**-**	283,032
Proceeds from (repayment of) advances to related parties	**-**	(89,285)
Proceeds from promissory notes	**-**	773,841
Repayment of loans and debentures	**(1,476,628)**	-
Cash flow provided from (used in) financing activities	**(1,476,628)**	967,588
Investments		
Purchase of property, mill and equipment	**(916,042)**	(817,749)
Purchase of exploration and evaluation assets	**(395,429)**	-
Restricted cash	**(133,692)**	565,086
Cash flow provided from (used in) investing activities	**(1,445,163)**	(252,663)
Effect of exchange rate changes on cash and cash equivalents	**-**	21,282
Net increase (decrease) in cash and cash equivalents	**(579,623)**	699,994
Cash and cash equivalents at beginning of period	**678,568**	290,882
Cash and cash equivalents at end of period	**98,945**	990,876
Supplemental cash flow information:		
Interest paid	**213,928**	131,167
Taxes paid	**-**	-

General

Corporate
The Company's principal business activity is that of a gold mining and mineral exploration company with operations in Canada. The Company's common shares are listed on the Toronto Stock Exchange, with ticker symbol "ANX". 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
The Company owns an operating mining project in Baie Verte, Newfoundland (the "Pine Cove Project" or the "Project"). On September 7, 2010, the Company achieved Commercial Production (as defined in its option and joint venture agreement) with a processing capacity of approximately 1,000 tonnes per day earning a 60% interest in the Pine Cove Project from Anaconda's joint venture partner, New Island Resources Inc. ("New Island"). During January 2011, the Company and New Island completed a Plan of Arrangement that resulted in Anaconda's ownership in the Pine Cove Project increasing to 100%. The Project includes approximately 660 hectares of mining rights, an open pit mining operation and complete mill infrastructure capable of producing gold dore bars. The Company has recently entered into option agreements to acquire a 100% interest in four additional exploration properties (as described in note 7 below). The agreements increase the Company's land package of the Pine Cove Project seven-fold to approximately 4,785 hectares.

Chilean Asset Sale
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 also funded the remaining two option payments totaling US$2.2 million (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.

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 business operations (the "Chilean Assets") to a private Chilean company, Hierro Tal Tal S.A. ("Tal Tal"), for up to US$11 million in cash payments (including US$2 million at closing and US$2 million on or before May 31, 2012, both payments received), a gross sales royalty and a 1.25% carried interest in Compania Portuaria Tal Tal S.A.

1. Going concern

These 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 in the normal course of business and at amounts that may differ from those shown in these consolidated financial statements.

The Company has experienced historic losses and negative cash flows from operations both of which raise concerns regarding its ability to continue as a going concern. The Company has generated positive cash flows from operations over the past 4 quarters, that have been sufficient to fund debt repayments, planned capital expenditures, and its exploration activities. Cash flows from the operations of the Pine Cove project are predicted to be sufficient to fund all of Anaconda's ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements and other contractual obligations.

As at November 30, 2012, the Company had a working capital deficit of $2,127,821 (May 31, 2012 – deficit $348,170), an accumulated deficit of $25,901,755 (May 31, 2012 - $27,540,654); and cash flow provided from operations for the six month ending November 30, 2012 of $2,342,168 (six months ending November 30, 2011 – used in operations $36,213). Anaconda continues the process of demonstrating a history of performance, earnings and success; however the period of demonstration is not sufficient. These factors cast 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.

2. Basis of preparation

Statement of compliance
The Company's Condensed Consolidated Interim Financial Statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures as required in the audited annual consolidated financial statements. The condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended May 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods of computation remain the same as presented in the audited consolidated financial statements for the year ended May 31, 2012.

There are no new IFRS and/or International Financial Reporting Interpretations Committee ("IFRIC") pronouncements that are effective for the first time for this interim period that would be expected to have a material effect on the Company.

3. Cash and cash equivalents and restricted cash

Cash and cash equivalents consist of cash on deposit with the banks in general interest bearing accounts totaling $98,945 (May 31, 2012 - $678,568).

Restricted cash balance consists of long-term cash on deposit with a bank in an interest-generating money-market account with no stipulated terms of maturity of $810,840 (May 31, 2012 - $677,147).

During the year ended May 31, 2012, 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. As at November 30, 2012, the Company has received approval for the release of the short-term restricted cash covenant from all debenture holders. The debenture holder release must be renewed with one holder at each of the Company's reporting dates until the debentures have matured and repaid in full.

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 2012 $	May 31 2012 $
General purpose		
Cash and cash equivalents	**98,945**	678,568
Restricted		
Cash	**-**	-
Cash equivalents[1]	**810,840**	677,147
Total restricted cash	**810,840**	677,147

[1]This cash is restricted in concert with the Company's decommissioning liabilities (note 11). It has issued letters of credit in the amount of $565,500 to the Newfoundland and Labrador Newfoundland and Labrador government and $211,510 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. The Company also has corporate credit cards that have authorized limits secured by cash collateral of $27,500.

4. 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 a trade receivable from a related party. The details of the Company's trade and other receivables are set out below:

As at	November 30 2012 $	May 31 2012 $
Due from related party	**100,976**	100,976
Gold sales receivable	**581,800**	-
Total trade and other receivables	**682,776**	100,976

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

As at	November 30 2012 $	May 31 2012 $
Less than 1 month	**581,800**	-
30-60 days	**-**	-
60+ days	**100,976**	100,976
Total trade and other receivables	**682,776**	100,976

At November 30, 2012, the Company anticipates full recovery of the amount due from related party therefore no impairment has been recorded. Subsequent to November 30, 2012, the gold sales receivable was received. The credit risk on the receivables has been further discussed in note 16.

The Company holds no collateral for any receivable amounts outstanding as at November 30, 2012.

5. Inventory

	November 30 2012 $	May 31 2012 $
Inventory		
Ore in stock pile	**752,384**	832,152
Raw materials	**63,317**	43,832
Work in progress	**478,063**	478,064
Finished products - Gold dore	**-**	239,727
	1,293,764	1,593,775

The inventory balance represents allocated costs 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.

6. Investments

	November 30 2012 $	May 31 2012 $
1.25% carried interest in Compania Portuaria Tal Tal S.A.	**50,000**	50,000

7. Exploration and evaluation assets

Properties	**Interest** %	**Balance as at May 31 2012** $	**Option of mining property** $	**Expenditures** $	**Disposal/ Write off** $	**Balance as at November 30 2012** $
Newfoundland						
Pine Cove Project						
Pine Cove	100	279,012	600	194,209	-	473,821
Tenacity	100	30,527	3,032	60,230	-	93,789
Fair Haven	100	-	13,104	23,641	-	36,745
Froude	100	-	-	8,794	-	8,794
Duffitt and Strong	100	-	20,000	6,988	-	26,988
Regional	100	-	-	64,830	-	64,830
		309,539	**36,736**	**358,692**	**-**	**704,967**

Properties	**Interest** %	**Balance as at May 31 2011** $	**Option of mining property** $	**Expenditures** $	**Disposal/ Write off** $	**Balance as at May 31 2012** $
Newfoundland						
Pine Cove	100	-	-	279,012	-	279,012
Tenacity	100	-	30,527	-	-	30,527
Chile	50	1,795,317	-	1,094,020	(2,889,337)	-
		1,795,317	**30,527**	**1,373,032**	**(2,889,337)**	**309,539**

The Company owns 100% of the **Pine Cove Project**. Together the Pine Cove, Tenacity, Fair Haven, Froude, and Duffitt and Strong Properties comprise the Pine Cove Project encompassing approximately 4,785 hectares.

The **Pine Cove Property** comprises two contiguous mining leases totalling 659.7 hectares and contains an operating open pit mine, milling and processing plant and equipment and a permitted tailings storage facility.

On May 7, 2012 the Company entered into a five-year property option agreement (the “Agreement”) with Tenacity Gold Mining Company Ltd. ("Tenacity") to acquire a 100% undivided interest in 4 mineral exploration licenses (the **"Tenacity Property"**) totaling 63 claims or approximately 1,575 hectares contiguous to the Pine Cove property. The Agreement requires the Company to pay to Tenacity $25,000 at closing (paid), an additional $275,000 in cash payments over the option period and incur $750,000 in expenditures over the life of the option. At the Company’s option, 50% of the cash payments can be settled with the issuance of common shares; with value determined based on a weighted average of the 30 trading days preceding payment. The Agreement also entitles Tenacity to a net smelter royalty (“NSR”) of 3% when the average price of gold is less than US$2,000 per ounce for the calendar quarter or a 4% when the average price of gold is more than US$2,000 per ounce for the calendar quarter, with a cap of $3 million.

On July 19, 2012 the Company entered into a five-year property option agreement (the “Agreement”) with Fair Haven Resources Inc. (“Fair Haven”) to acquire a 100% undivided interest in 11 exploration licenses (the “**Fairhaven Property**”) totaling 71 claims or approximately 1,804 hectares near its Pine Cove mine. The Fair Haven Property runs adjacent to the optioned Tenacity Property. The Agreement requires the Company to pay to Fair Haven $10,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of $750,000. The Agreement also entitles Fair Haven to a NSR of 2% to an aggregate sum of $3 million; following this and after 200,000 ounces of gold has been sold from the Fair Haven Property, Fair Haven is then entitled to 1% NSR.

On November 13, 2012 the Company entered into a five-year property option agreement (the “Agreement”) with Herb Froude (“Froude”) to acquire a 100% undivided interest in 1 exploration licenses (the “**Froude Property**”) totaling 11 claims or approximately 275 hectares near its Pine Cove mine. The Froude Property is contiguous and now inclusive in the Pine Cove Project. The Agreement requires the Company to pay to Froude $10,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of $125,000. The Agreement also entitles Froude to a NSR of 3% to an aggregate sum of $3 million; following this and after 200,000 ounces of gold has been sold from the Froude Property, Froude is then entitled to 1% NSR.

On November 19, 2012 the Company entered into a five-year property option agreement (the “Agreement”) with Messer’s Duffitt and Strong (“Duffitt and Strong”) to acquire a 100% undivided interest in 2 exploration licenses (the “**Duffitt and Strong Property**”) totaling 7 claims or approximately 175 hectares near its Pine Cove mine. The Duffitt and Strong Property is contiguous to the Pine Cove Project. The Agreement requires the Company to pay to Duffitt and Strong $20,000 at closing (paid) and to fund expenditures over the life of the option to a minimum of $125,000. The Agreement also entitles Duffitt and Strong to a NSR of 3% to an aggregate sum of $3 million; following this and after 200,000 ounces of gold has been sold from the Duffitt and Strong Property, Duffitt and Strong is then entitled to 1% NSR.

8. Property, mill and equipment

For the six months ending November 30, 2012

	Cost beginning of period $	Additions $	Disposal/ transfers $	Impairment $	Cost end of period $
Mill	6,314,954	-	(38,149)	-	6,276,804
Equipment	394,393	157,171	-	-	551,564
Property	13,492,595	145,609	17,096	-	13,655,300
Capital in progress	85,676	608,060	-	-	693,736
	20,287,618	**910,840**	**(38,149)**	**-**	**21,177,404**

	Accumulated depreciation beginning of period $	Depreciation $	Disposals/ transfers $	Accumulated depreciation end of period $	Net book value $
Mill	976,567	304,706	-	1,281,273	4,995,531
Equipment	111,923	61,984	-	173,907	377,657
Property	1,871,564	657,748	-	2,539,312	693,736
Capital in progress	-	-	-	-	693,736
	2,960,054	**1,024,438**	**-**	**3,984,492**	**17,192,912**

For the year ending May 31, 2012

	Cost beginning of year $	Additions **$**	Disposals/ transfers $	Impairment $	Cost end of year $
Mill	5,942,786	**372,168**	-	-	6,314,954
Equipment	317,594	**76,799**	-	-	394,393
Property	12,591,900	**900,695**	-	-	13,492,595
Capital in progress	-	**85,676**	-	-	85,676
	18,852,280	**1,435,338**	**-**	**-**	**20,287,618**

	Accumulated depreciation beginning of year $	Depreciation **$**	Disposals/ transfers $	Accumulated depreciation end of year $	Net book value $
Mill	305,860	**670,707**	-	976,567	5,338,387
Equipment	52,222	**59,701**	-	111,923	282,470
Property	920,030	**951,534**	-	1,871,564	11,621,031
Capital in progress	-	**-**	-	-	85,676
	1,278,112	**1,681,942**	**-**	**2,960,054**	**17,327,564**

9. Trade and other payables

As at	November 30 2012 $	May 31 2012 $
Trade payables	**1,868,515**	1,803,303
Accrued liabilities	**321,335**	346,876
Accrued interest	**53,456**	311,190
Accrued payroll costs	**18,211**	207,084
Total trade and other payables	**2,261,518**	2,668,453

10. Loans and debentures

The following table provides the details of the short and long-term components of the loans and debentures as at November 30, 2012 and May 31, 2012.

	November 30 2012 $	May 31 2012 $
Convertible loan	**647,597**	930,997
Series I debenture	**512,683**	812,046
Series II debenture	**841,997**	1,338,998
ACOA Loan	**318,282**	394,674
INTRD Loan	**122,875**	225,111
	2,443,434	3,701,826
Less: current portion	**2,277,936**	360,099
Non-current portion	**165,498**	3,341,726

Convertible loan

The convertible loan (also the “Thorsen Loan”) is unsecured and bears interest at 12% per annum, interest payable monthly and is owed to a company controlled by the Chairman of the Company. The loan is due September 15, 2013, $1.5 million of the face value is convertible to units of the Company at the greater of (i) $1.00 per unit, and (ii) the volume weighted average trading price of the common shares of the Company for the twenty trading days immediately preceding the date of the notice of conversion (the “Conversion Price”), per unit. Each whole warrant contained in the unit received on the conversion will entitle the holder to purchase one common share during the 18 months after the date of conversion at (i) a price of $1.25 per share where the conversion price was $1.00, or (ii) at a price equal to 1.25 times the Conversion Price. During the six months ended November 30, 2012 the Company paid down the principal amount by $310,000.

The balance is made up as follows:	November 30 2012 $	May 31 2012 $
Principal balance repayable	**699,000**	1,009,000
Less: value of equity component	**(334,000)**	(334,000)
	365,000	675,000
Transaction costs	**(18,628)**	(18,628)
	346,372	656,372
Interest accretion	**301,225**	274,625
Current portion	**647,597**	-
Non-current portion	**-**	930,997

Series I Debentures
The Series I Debentures are secured by a charge over certain of the Company's assets and bear interest at 12% per annum, interest payable semi-annually. The Debenture is due September 15, 2013, and is convertible at the holder's option into common shares of the Company on the following basis: from September 16, 2010 until September 15, 2012 at $0.90 per common share and from September 16, 2012 until September 15, 2013 at $1.10 per common share. The Company will have the right to call for the conversion of the Debenture into the number of shares as set out above, so long as the Company's shares trade at least 100% above the conversion price for at least 20 consecutive trading days. During the six months ending November 30, 2012, the Company paid down the principal amount of the Debentures by $346,000.

The balance is made up as follows:

	November 30 2012 $	May 31 2012 $
Principal balance repayable	**590,000**	936,000
Less: discount	**(171,300)**	(171,300)
Less: value of equity component	**(132,700)**	(132,700)
	286,000	632,000
Transaction costs	**(129,900)**	(129,900)
	156,100	502,100
Interest accretion	**356,583**	309,946
Current portion	**512,683**	-
Non-current portion	**-**	812,046

Series II Debentures
The Series II Debentures Units are secured by a charge over certain of the Company's assets and bear interest at 12% per annum, interest payable annually. The Debenture is due September 15, 2013. Included with the Debenture Units were 3,984,069 common share purchase warrants that were exercisable until July 22, 2012 (expired) at an exercise price of $0.22 each. During the quarter the Company paid down the principal amount of the Debentures by $642,000.

The balance is made up as follows:

	November 30 2012 $	May 31 2012 $
Principal balance repayable	**1,110,280**	1,752,280
Less: discount	**(324,700)**	(324,700)
Less: value of equity component	**(565,738)**	(565,738)
	219,842	861,842
Transaction costs	**(19,166)**	(19,166)
	200,676	842,676
Interest accretion	**641,321**	496,322
Current portion	**841,997**	-
Non-current portion	**-**	1,338,998

Loans

Loan payable, due December 14, 2014, is non-interest bearing and repayable in one payment of $41,666 on June 1, 2011, 35 monthly payments of $12,723 commencing on January 1, 2012 and one final payment of $12,714.

The balance is made up as follows:

	November 30 2012 $	May 31 2012 $
Principal balance repayable	**318,282**	394,674
Less: current portion	**(152,784)**	(152,784)
Non-current portion	**165,498**	241,890

Loan payable, due June 16, 2013, bears interest at 5% per annum and repayable in 30 blended monthly payments of $17,877, commencing on January 16, 2011.

The balance is made up as follows:

	November 30 2012 $	May 31 2012 $
Principal balance repayable	**122,875**	225,111
Less: current portion	**122,875**	(207,315)
Non-current portion	**-**	17,796

11. Decommissioning liability

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

	November 30 2012 $	May 31 2012 $
Opening balance	**1,146,533**	1,096,321
Interest accretion	**26,356**	50,212
Closing balance	**1,172,789**	1,146,533

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 decommissioning liabilities, it has issued letters of credit in the amount of $565,500 to the Newfoundland and Labrador government and $211,510 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.

12. Capital stock

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, 2011	**158,432,215**	**31,469,190**
Issued for cash: Private placement	3,394,000	237,580
Issued under rights offering to repay promissory notes	14,999,728	1,049,981
Cost of issuance	-	(10,653)
Balance at May 31, 2012 and November 30, 2012	**176,825,943**	**32,746,098**

Warrants
The outstanding issued warrants balance at November 30, 2012 is comprised as follows:

Date of Expiry	Type	No. of Warrants	Exercise Price $
March 20, 2013**	Purchase warrants	236,000	0.08
April 22, 2013**	Purchase warrants	22,227	0.08
May 3, 2013	Purchase warrants	7,921,611	0.08
		8,179,838	

**The Company reduced the exercise price of these warrants from $0.30 to $0.08, as well as extended the exercise date to March 20, 2013 and to April 22, 2013, respectively.

On July 25, 2012, 3,984,069 purchase warrants expired unexercised.

Options
As at November 30, 2012 17,682,594 common shares were available for the grant of stock options to directors, officers, employees and service providers in connection with the Company's stock option plan (the "Plan"). The Plan is a 10% rolling option plan based on the number of common shares issued and outstanding. As at November 30, 2012, 12,170,000 were outstanding with 11,020,000 exercisable and 5,512,594 left unallocated. All stock options issued to date under the Plan vest in two installments over 12 months and expire five years from the date of grant.

The following summary sets out the activity in the Plan over the period.

	Options #	Weighted average exercise price $
Outstanding, May 31, 2011	**12,415,000**	**0.38**
Granted	3,050,000	0.10
Expired/forfeited	(2,015,000)	0.30
Outstanding, May 31, 2012	**13,450,000**	**0.32**
Granted	350,000	0.14
Expired/Forfeited	(1,630,000)	0.61
Outstanding November 30, 2012	**12,170,000**	**0.14**
Options exercisable, November 30, 2012	**11,020,000**	**0.14**

The following table sets out the details of the stock options granted and outstanding as at November 30, 2012.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
30,000	30,000	0.01 years	$1.10	December 5, 2012
480,000	480,000	1.53 years	$0.23	June 11, 2014
3,010,000	3,010,000	2.30 years	$0.20	March 18, 2015
5,300,000	5,300,000	3.22 years	$0.11	February 15, 2016
250,000	250,000	3.66 years	$0.08	July 26, 2016
500,000	500,000	3.75 years	$0.10	August 25, 2016
500,000	250,000	4.17 years	$0.09	January 27, 2017
1,500,000	750,000	4.23 years	$0.095	February 17, 2017
300,000	150,000	4.43 years	$0.11	May 1, 2017
50,000	50,000	4.59 years	$0.10	June 26, 2017
300,000	300,000	4.96 years	$0.15	November 8, 2017
12,170,000	**11,020,000**			

The following table sets out the details of the valuation of stock option grants during the six months ended November 30, 2012:

Date of grant	Number	Risk free interest rate	Expected dividend yield	Expected volatility	Expected life
June 26, 2012	50,000	1.25%	Nil	116.6%	5 years
November 8, 2012	300,000	1.32%	Nil	114.6%	5 years

On June 26, 2012, the board of directors authorized the issuance of 50,000 stock options, exercisable at $0.10 for a period of 5 years from the date of issuance, which vest 50% on July 1, 2012, and 50% on January 1, 2013. On November 8, 2012, the board of directors authorized the issuance of 300,000 stock options, exercisable at $0.15 for a period of 5 years from the date of issuance, which vest immediately. On December 31, 2012, 50,000 options expired unexercised.

Share-based compensation
The fair value of the stock options granted for the three and six months ended November 30, 2012 was $37,650 and $41,490 (three and six months ended November 30, 2011 – $nil and $55,750). The fair value of options vested for the three and six months ended November 30, 2012, was $65,448 and $125,991 (three and six months ended November 30, 2011 - $43,725 and $294,782), which amount has been expensed as share-based payments in the statement of operations.

13. Remuneration of key management personnel and related-party transactions

Key management personnel include the members of the Board of Directors and the senior leadership team. Compensation of key management personnel (including directors) was as follows:

For the six months ended November 30	**2012**	2011
	$	$
Salaries and short term benefits [1]	**269,039**	81,408
Post-employment benefits [2]	**-**	27,727
Share based payments [3]	**97,652**	244,043
	366,691	353,178

[1] Includes salary, benefits and directors fees paid during the six months ended November 30, 2012
[2] Includes termination benefits
[3] Includes share based payments vested during the period

The Company incurred interest expense for the six months ended November 30, 3012 of $82,057 of which $26,599 related to non-cash interest accretion on the valuation of the conversion feature of the convertible loan payable to Thorsen-Fordyce Merchant Capital Inc. ("Thorsen"). Thorsen is controlled by Lewis Lawrick, a director of the Company.

Raven Hill Partners Inc. ("Raven Hill') charged Anaconda a total of $162,000 in respect of corporate administration and accounting services provided by employees of Raven Hill, $105,000 in rent for the Company's head office, and $18,000 for investor relations costs for the six months ending November 30, 2012. Raven Hill is beneficially owned by Lewis Lawrick and Dustin Angelo, directors of the Company.

As at November 30, 2012 the accrued liabilities balance includes $nil (May 31, 2012 - $154,190) of amounts due to related parties for directors' fees, unpaid interest and consulting costs.

14. 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, development and operation 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.

The Company's Pine Cove project, which is now in production, is currently producing cash flow to fund ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements and other contractual obligations. However, management believes the Pine Cove project must continue to maintain current recovery, throughput, grade and production levels for a period of time to demonstrate that it can continue to meet its corporate obligations. The Company intends to supplement its Pine Cove project cash flow and raise such funds as and when required to complete its projects as they arise. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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

There were no changes in the Company's approach to capital management during the three and six months ended November 30, 2012. The Company is not subject to externally imposed capital restrictions.

15. Financial instruments

Fair value

The Company has classified its cash and cash equivalents and restricted cash as FVTPL, which are measured at fair value. The Company's investments have been classified as available-for-sale, which are measured at fair value. Trade and other receivables and HST receivable are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and loans and debentures are classified as other financial liabilities, which are measured at amortized cost.

Fair values of trade and other receivables, HST receivable, trade and other payables, promissory notes and loans and debentures are determined from transaction values, which were derived from observable market inputs; resulting in a level two valuations. Fair values of cash and cash equivalents and restricted cash are based on quoted prices in active markets for identical assets; resulting in a level one valuation. Fair values of investments are not based on observable market data; resulting in a level three valuation.

As at November 30, 2012, 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.

Derivative financial instruments
The Company has entered into the following derivative commodity contracts that have not been designated as hedges:

	Financial instrument classification	Expiry	Ounces	Price CAD$ per ounce	Fair Value at November 30 2012
Gold forward CAD$ denominated contracts	FVTPL	December 31, 2012	300	1,650	(22,500)

16. Property and financial risk factors

Property risk
The Company’s major project is its Pine Cove project (the “Project”). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon the Project. Any adverse developments affecting the Company’s Project would have a material adverse effect on the Company’s financial condition and results of operations.

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 and prepaid expenses and deposits. Cash is held with a tier A Canadian chartered bank as such management believes the risk of loss to be minimal.

Financial instruments included in HST receivable consist of goods and services taxes receivable from the Canadian government and such amounts are in good standing as at November 30, 2012. Management believes that the credit risk associated with the financial instruments included relating to HST recoverable, is minimal.

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

Liquidity risk
As at November 30, 2012, the Company had negative working capital of $2,127,821 (May 31, 2012 – deficit $348,170). The Company utilized the cash flow generated from the Pine Cove project’s operations through-out the first six months of fiscal 2013 for its working capital requirements. 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, 2012, 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).

Interest rate risk
The Company has no interest-bearing assets and only fixed-interest debts and invests excess cash, when available, in short term securities with maturities of less than one month. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its cash investments.

Foreign currency risk
The Company's functional currency is the Canadian dollar. The Company sells its gold production and transacts business using the Canadian dollar.

Some of the operational and other expenses incurred by the Company are paid in US dollars. The assets and liabilities of the Company are recorded in Canadian dollars. As a result, fluctuations in the US dollar 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.

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. The Company is further exposed to price risk as it enters into gold sales forward contracts, from time to time.