ANACONDA MINING INC.

Interim Consolidated Financial Statements

(Unaudited)

Third Quarter and Nine Months Ended

February 28, 2011

NOTICE OF NO AUDITOR REVIEW OF THESE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Anaconda Mining Inc.
Consolidated Balance Sheets
(Unaudited)
Canadian Dollars

As at	**February 28, 2011**	May 31, 2010
Assets	**$**	$
Current assets		
Cash and cash equivalents *(note 6)*	**177,721**	533,628
Restricted cash *(note 6)*	**326,402**	96,068
HST recoverable	**200,778**	592,242
Accounts receivable, prepaids and deposits	**115,590**	168,098
Due from related parties *(note 19)*	**1,038,034**	-
Inventory *(note 7)*	**419,790**	903,605
	2,278,315	2,293,641
Investments *(note 8)*	**-**	336,600
Deferred transaction costs	**80,000**	79,581
Restricted cash *(note 6)*	**676,305**	777,479
Mineral properties and deferred exploration expenditures *(note 9)*	**1,618,815**	4,700,641
Leasehold improvements *(note 10)*	**2,001**	4,512
Property, mill and equipment *(note 11)*	**18,190,714**	13,192,874
	22,846,151	21,385,328
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 19)*	**5,130,969**	2,340,293
Due to related parties *(note 19)*	**874,453**	676,436
Promissory notes *(notes 12 & 25)*	**1,809,057**	-
Current portion of loans and debentures *(notes 13 & 17)*	**1,338,899**	-
	9,153,378	3,016,729
Loans *(note 13)*	**384,520**	-
Convertible loan *(note 14)*	**1,817,792**	1,790,000
Convertible debentures *(note 15)*	**1,543,217**	1,499,986
Debentures *(note 16)*	**2,550,622**	2,411,442
Asset retirement obligations *(note 18)*	**660,403**	605,875
	16,109,932	9,324,032
Shareholders' equity		
Common shares *(note 20(a))*	**29,670,925**	26,252,558
Equity portion of convertible loans and debentures *(notes 14 & 15)*	**466,700**	466,700
Warrants *(note 20(b))*	**1,259,316**	1,223,573
Contributed surplus *(note 21)*	**5,679,784**	5,247,362
Deficit	**(30,340,506)**	(20,008,547)
Accumulated other comprehensive income	**-**	(1,120,350)
	6,736,219	12,061,296
	22,846,151	21,385,328

Going concern *(note 1)*

Commitments *(note 24)*

Subsequent events *(note 25)*

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

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

Canadian Dollars

	3 months ended		9 months ended	
	February 28, 2011	February 28, 2010	**February 28, 2011**	February 28, 2010
	$	$	**$**	$
Revenue				
Sales	**2,276,989**	2,684,721	**3,910,031**	10,324,920
	2,276,989	2,684,721	**3,910,031**	10,324,920
Cost of goods sold				
Mill operations	**867,459**	731,522	**2,016,276**	1,521,104
Mining costs	**1,337,976**	766,258	**2,178,870**	2,317,413
Direct wages	**696,480**	229,477	**1,838,981**	455,738
Net smelter returns	**66,307**	57,186	**110,087**	305,771
Toll-milling costs	**19,985**	1,070,394	**19,985**	3,651,562
	2,988,207	2,854,837	**6,164,199**	8,251,588
Gross margin	**(711,218)**	(170,116)	**(2,254,168)**	2,073,332
Administrative expenses				
Office and general	**79,266**	169,747	**341,555**	514,902
Consulting and professional fees	**560,604**	459,653	**1,517,319**	598,462
Stock-based compensation	**102,241**	(211,546)	**432,423**	92,160
Representation and travel	**39,247**	22,522	**104,207**	97,743
Shareholder and regulatory reporting	**24,146**	43,919	**169,026**	127,892
Salaries and benefits	**84,106**	96,451	**449,036**	216,503
	889,610	580,746	**3,013,566**	1,647,662
Interest expense	**260,053**	348,503	**1,174,160**	698,236
Depletion and depreciation	**81,795**	413,412	**341,518**	553,749
Project investigation costs	**-**	8,011	**-**	57,787
Write-down of deferred exploration expenditures (*note 9*)	**30,103**	725,438	**554,542**	725,438
Loss on sale of properties *(note 9)*	**-**	-	**1,483,157**	-
Loss on sale of investments	**-**	-	**1,464,000**	-
Foreign exchange (gains) losses	**7,338**	(46,448)	**206,898**	24,452
	1,268,899	2,029,662	**8,237,841**	3,707,324
Net loss before income taxes	**(1,980,117)**	(2,199,778)	**(10,492,009)**	(1,633,992)
Future income (tax) recoveries	**109,180**	5,547	**160,050**	(3,333)
Net loss	**(1,870,937)**	(2,194,231)	**(10,331,959)**	(1,637,325)
Deficit at beginning of period	**(28,469,569)**	(16,111,597)	**(20,008,547)**	(16,668,503)
Deficit at end of period	**(30,340,506)**	(18,305,828)	**(30,340,506)**	(18,305,828)
Net loss per share – basic and fully diluted	**$(0.015)**	$(0.025)	**$(0.091)**	$(0.019)
Weighted average number of shares outstanding (000's) – basic and fully-diluted	**120,849**	88,455	**113,447**	88,193

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

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

Anaconda Mining Inc.

Consolidated Statements of Comprehensive Loss and Accumulated Other Comprehensive Income

(Unaudited)

Canadian Dollars

	3 months ended		9 months ended	
	February 28, 2011	February 28, 2010	**February 28, 2011**	February 28, 2010
	$	$	**$**	$
Net income (loss)	**(1,870,937)**	(2,194,231)	**(10,331,959)**	(1,637,325)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale investments, net of tax benefit	**748,438**	32,704	**-**	(19,618)
Reclassification of realized loss on available-for-sale investments to income	**(1,225,002)**	-	**-**	-
	(476,564)	32,704	**-**	(19,618)
Total comprehensive loss	**(2,347,501)**	(2,161,527)	**(10,331,539)**	(1,656,943)
Comprehensive loss per share - basic and fully-diluted	**$(0.019)**	$(0.025)	**$(0.091)**	$(0.019)

	3 months ended		9 months ended	
	February 28, 2011	February 28, 2010	**February 28, 2011**	February 28, 2010
	$	$	**$**	$
Opening accumulated comprehensive loss	**(643,786)**	(1,119,122)	**(1,120,350)**	(1,066,800)
Reclassification to income	**1,120,350**	-	**1,120,350**	-
Other comprehensive income (loss)	**(476,564)**	32,704	**-**	(19,618)
Accumulated comprehensive loss	**-**	(1,086,418)	**-**	(1,086,418)

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

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

Anaconda Mining Inc.

Consolidated Statements of Cash Flow

(Unaudited)

Canadian Dollars

	3 months ended		9 months ended	
	February 28, 2011	February 28, 2010	**February 28, 2011**	February 28, 2010
	$	$	**$**	$
Operations				
Net income (loss)	**(1,870,937)**	(2,194,231)	**(10,331,959)**	(1,637,325)
Adjustments to reconcile net loss to cash flow from operating activities:				
Depletion and amortization	**81,795**	413,383	**341,519**	553,748
Stock-based compensation	**102,241**	(211,546)	**432,423**	92,160
Future income taxes (recoveries)	**(109,180)**	(5,546)	**(160,050)**	3,333
Foreign exchange (gains) losses	**22,015**	(56,989)	**1,942,177**	8,059
Interest accretion	**219,034**	80,768	**410,078**	199,600
Interest paid with share issuance	**-**	-	**249,797**	-
Realized loss on sale of investments	**-**	-	**1,464,000**	-
Loss on sale of property *(note 10)*	**-**	-	**1,483,157**	-
Write-down of mineral properties and deferred exploration expenditures	**30,102**	725,438	**554,542**	725,438
Net change in non-cash working capital items:				
HST/GST recoverable	**(57,590)**	172,431	**391,464**	(227,805)
Prepaids, deposits and receivables	**907,605**	(8,461)	**(882,024)**	1,197
Inventory	**230,541**	914,646	**566,563**	(246,011)
Accounts payable and accrued liabilities	**(749,451)**	(671,666)	**2,976,443**	30,942
Current portion of loans and debentures	**(31,242)**	-	**1,338,899**	-
Demand loan	**-**	(100,000)	**-**	-
Cash flow provided from operating activities	**(1,255,067)**	(941,773)	**777,029**	(496,665)
Financing				
Issuance of common shares (net of subscriptions receivable)	**-**	-	**-**	515,900
Due to (from) related parties	**(143,745)**	-	**(199,450)**	4,120
Exercise of options/warrants	**-**	-	**-**	15,000
Promissory notes *(note 12)*	**1,697,000**	-	**1,697,000**	-
Loans and debentures	**-**	2,922,300	**386,972**	2,922,300
Cash flow provided from financing activities	**1,553,255**	2,922,300	**1,884,522**	3,457,320

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

(Unaudited)

Canadian Dollars

	3 months ended		9 months ended	
	February 28, 2011	February 28, 2010	**February 28, 2011**	February 28, 2010
	$	$	**$**	$
Investing				
Expenditures on mineral properties and deferred exploration	**(63,886)**	(20,342)	**(856,221)**	(231,078)
Purchase of property, mill and equipment	**(60,013)**	(758,222)	**(2,175,694)**	(1,611,731)
Proceeds from sale of investments	**-**	-	**153,000**	-
Restricted cash	**(166,306)**	(136,901)	**(129,160)**	(270,285)
Cash flow used in investing activities	**(290,205)**	(914,655)	**(3,008,075)**	(2,113,094)
Effect of exchange rate changes on cash and cash equivalents	**(7,279)**	19,073	**(9,383)**	15,902
Net increase (decrease) in cash and cash equivalents	**704**	1,084,945	**(355,907)**	863,463
Cash and cash equivalents at beginning of period	**177,017**	25,294	**533,628**	246,776
Cash and cash equivalents at end of period	**177,721**	1,110,239	**177,721**	1,110,239

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

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

General

Anaconda Mining Inc. (the "Company" or "Anaconda") was incorporated under the laws of British Columbia. On April 18, 2007, Anaconda completed an acquisition of Colorado Mineral Inc. (“Colorado”) by issuing 19,701,560 Anaconda common shares to the shareholders of Colorado in exchange for all the issued and outstanding shares of Colorado. As a result of the issuance, the former shareholders of Colorado owned approximately 50.8% of the then outstanding Anaconda common shares thereby affecting a reverse takeover of Anaconda. Accordingly, for accounting purposes Colorado was deemed to be the acquirer of Anaconda, although Anaconda is the legal parent company and the reporting issuer.

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

During the first fiscal quarter of 2011, Anaconda reached the production requirements pursuant to the terms of its Option and Joint venture Agreement with New Island Resources Inc. (“New Island”), allowing it to announce on September 7, 2010 that it had achieved Commercial Production (as defined therein) and therefor had earned its 60% interest in the Pine Cove project. Anaconda also announced that it and New Island had reached an agreement on a transaction (the “Acquisition”) that would result in Anaconda acquiring New Island’s 40% interest in the Pine Cove project *(note 11)*. During January 2011, New Island minority shareholders approved the Acquisition and the Plan of Arrangement governing the Acquisition received final approval by the Court of the Queen’s Bench of Alberta and Anaconda’s ownership in the Pine Cove project was consolidated at 100%.

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 US$2.2 million in option payments (the first of which in the amount of US$500,000 has been paid by SBX) 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.

1. Going concern

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should Anaconda be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that would differ from those shown in these consolidated financial statements.

The Company is experiencing 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 the Anaconda's ongoing working capital requirements, corporate and administrative expenses, debt service, capital-expenditure requirements and other contractual obligations, including those for its mineral properties in Chile. The strategy of the Company is to ameliorate the operations of its Pine Cove project to improve processing, grade control and precious metal recovery. If these efforts are successful, management believes the Pine Cove project will generate sufficient cash from operations to fund such corporate obligations for at least the next 12 months. 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 February 28, 2011, the Company had a working capital deficiency of $6,875,063 and an accumulated deficit of $30,340,506. 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 obtain the necessary financing to fund production enhancement and metallurgical recovery strategies in order to facilitate profitable production.

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 its properties and upon future profitable production or, alternatively, the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company has raised funds throughout the prior year and throughout the first 9 months of this year 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.

On April 1, 2011, the Company announced a rights offering that, if fully subscribed, will result in gross proceeds of $2,218,051.

Also see *note 3* – **Property and financial risk factors – Liquidity risk** and *note 25* **– Subsequent events**.

2. Significant accounting policies

(i) Basis of presentation

These interim consolidated financial statements follow the same accounting policies and their methods of application as the audited consolidated financial statements as at May 31, 2010.

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

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

(ii) Use of estimates

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

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

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

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

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

(iv) Impairment of long-lived assets

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

(v) Depletion and amortization

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

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

(vi) Financial instruments

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

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

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

(vii) Principles of consolidation

These Financial Statements include the accounts of the Company, its wholly-owned subsidiary, KSA and the accounts of SAM, a variable interest entity ("VIE"), as defined in *Accounting Guideline 15, Consolidation of Variable Interest Entities*, in which the Company is the primary beneficiary. The primary beneficiary is the party, if any, that will receive a majority of the VIE's expected residual returns, or absorb the majority of its expected losses, or both. Accordingly, the Company has consolidated SAM in its Financial Statements as of and subsequent to November 1, 2006. All significant balances and transactions have been eliminated upon consolidation.

(viii) Future accounting changes

International financial reporting standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of June 1, 2011, will require the restatement for comparative purposes of amounts reported under Canadian GAAP by the Company for the year ended May 31, 2011.

(viii) Account reclassifications

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

2. Capital management

The Company's capital structure is adjusted based on management's and the Board of Directors' decision to fund expenditures with the issuance of debt or equity such that it may complete the acquisition, exploration and development of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.
The Company is experiencing negative cash flow from operations at its Pine Cove project. Anaconda's other mineral properties are in the exploration and development stage and do not produce any cash flow. As a result, the Company currently has negative cash flow. Anaconda's strategy is to ameliorate the operations of its Pine Cove project to improve processing, grade control and precious metal recovery to increase cash flow from operations. It also intends on supplementing this operating cash flow by raising additional funds as and when required to support its other activities or for general working capital purposes. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to Anaconda are through the exercise of outstanding stock options and/or warrants (not within the Company's control), the sale of equity capital of the Company, the issuance of further loans and/or debentures or the sale by Anaconda of an interest in any of its properties, in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Anaconda will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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

There were no changes in the Company's approach to capital management during the 3 months ended February 28, 2011. The Company is not subject to externally imposed capital restrictions.

3. Property and financial risk factors

(i) Property risk – The Company's major projects are its Pine Cove project and its Chilean iron ore assets (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. Continued adverse developments at its Pine Cove project or new adverse developments affecting the Company's Projects would have a material adverse effect on the Company's financial condition and results of operations.

(ii) Financial risk factors and their impact on Anaconda's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is primarily attributable to cash, HST recoverable, accounts receivable, prepaids 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 HST recoverable consist of goods and services taxes recoverable from the Canadian government and such amounts are in good standing as at February 28, 2011. Management believes that the credit risk associated with the financial instruments included in HST/GST recoverable is minimal.

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

Due from related parties consists of amounts due from SBX and Raven Hill Partners ("Raven Hill"). The financial instrument contained in the amount due from SBX has limited exposure as the Company has various recovery options available to it pursuant to the Chilean Transaction and considers the credit risk minimal. The financial instrument contained in the amount due from Raven Hill is interest-free, unsecured and has no fixed term of repayment. The balance is more than offset by amounts due by the Company to shareholders that also control Raven Hill and therefore management believes the credit risk is minimal.

Liquidity risk

As at February 28, 2011, the Company had a working capital deficiency of $6,875,063 (May 31, 2010 - $723,088) and an accumulated deficit of $30,340,506 (May 31, 2010 - $20,008,547). 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 obtain the necessary financing to fund production enhancement and metallurgical recovery strategies in order to facilitate profitable production.

The Company utilized the proceeds raised from any financings and related-party loans through-out the first nine months of fiscal 2011 for its working capital requirements. However, in order to meet other short to medium-term working capital obligations, the Company intends to utilize any cash flow generated from the Pine Cove project's operations and seek further debt and equity financing for general working capital purposes and capital projects. On April 1, 2011, the Company announced a rights offering that, if fully subscribed, will result in gross proceeds of $2,218,051.

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 February 28, 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 limited interest-bearing assets but mostly fixed-interest debts. Anaconda invests excess cash, when available, in short term securities with maturities of less than one month. Anaconda periodically monitors the investments it makes and is satisfied with the creditworthiness of its cash investments.

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company transacts business using the Canadian dollar, the US dollar and the Chilean peso.

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

(iii) Price risk

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

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

(b) Previously, the Company's investments were comprised of common shares of public-traded companies. The value of the investment would fluctuate on a daily basis due to the external market factors that are not within the control of the Company. As at February 28, 2011, the Company had no investments.

(iv) Derivatives – mineral properties

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

4. Fair value of financial assets and liabilities

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

5. Sensitivity analysis

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

(i) Cash and cash equivalents include short-term interest accounts that are subject to floating interest rates. As at February 28, 2011, if interest rates had decreased/increased by 1% with all other variables held constant, the difference in loss for the 9 months ended February 28, 2011 would not be material, as a result of lower/higher interest income from cash and cash equivalents. As at February 28, 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 February 28, 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	31,221
Cash and cash equivalents	United States dollar	116,898
Receivables prepaids and deposits	Chilean peso	968,206
Accounts payable and accrued liabilities	Chilean peso	81,772
Due to related parties	Chilean peso	387,354

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	11,690	(11,690)
Chilean peso	53,030	(53,030)

(iii) As at February 28, 2011, the Company has no investments.

(iv) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market prices of precious metals. Commodity prices have fluctuated significantly in recent years. If the fair value for commodity prices had decreased/increased by 10% with all other variables held constant, net loss for the nine-month period ended February 28, 2011 would have been approximately $817,000 lower/higher.

6. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with the banks in general non-interest bearing accounts totaling $177,655 (2010 - $32,846) and interest-generating money-market accounts with no stipulated terms of maturity, of $66 (2010- $500,782).

Restricted cash balances consist of short-term cash on deposit with banks in interest-generating money-market accounts with maturities of 60 days, or less, of $326,402 (2010 - $96,068), and long-term cash on deposit with a bank in an interest-generating money-market account with no stipulated terms of maturity of $676,305 (2010 - $777,479).

The following chart discloses the Company's cash and cash equivalents that are restricted as a result of cash held by its Canadian bank in interest bearing deposits securing letters of credit issued regarding the Pine Cove project:

	February 28, 2011	May 31, 2009
	$	$
General purpose		
Cash	**177,655**	32,846
Cash equivalents	**66**	500,782
Total cash and cash equivalents	**177,721**	533,628
Restricted		
Cash[1]	**326,402**	96,068
Cash equivalents[2]	**676,305**	777,479
Total restricted cash	**1,002,707**	873,547

[1] This cash is restricted as a debt-reduction escrow account as part of the agreement for the convertible debentures *(note 15)*. This cash can be utilized for debt service and/or principal repayments.

[2] The majority of this cash balance is restricted in concert with the Company's asset retirement obligations. It has issued non-revocable letters of credit totalling $644,500 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development. Corporate administrative restrictions are imposed on a further $27,500. These amounts are classified as long term on the balance sheet.

7. Inventory

The value of inventory recorded at net realizable value is $Nil (2010 - $Nil) and the Company has carried its inventory balance of $419,790 (2010 - $903,605) at cost, which is represented by allocated costs to ore stockpiles based on quantities of raw material stockpiled and included cost allocations from waste mining costs, overheads, amortization, depletion and depreciation relating to mining operations.

8. Investments

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

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

A portion of the sale was made to insiders of Anaconda (*note 19*). In accordance with *CICA Section 3840 – Related Party Transactions,* in accounting for the related-party loss, the transaction was measured at the exchange amount.

9. Mineral properties and deferred exploration expenditures

Property	May 31, 2010	Additions/ (Disposals)	Written-down/off	Loss on Sale	**February 28, 2011**
	$	$	$	**$**	**$**
San Gabriel	4,176,201	(1,221,455)[1]	-	(1,483,157)	**1,471,589**
VAT	524,440	30,031	(554,471)	-	-
Other Chilean properties[2]	-	147,226	-	**-**	**147,226**
	4,700,641	(1,044,198)	(554,471)	(1,483,157)	**1,618,815**

Property	May 31, 2009	Additions	Written-down/off	**May 31, 2010**
	$	$	$	**$**
San Gabriel	4,327,565	302,371	70,705[3]	**4,700,641**
Borthwick Lake	473,752	6,988	(480,740)	**-**
Lingman Lake	244,516	-	(244,516)	**-**
	5,045,833	309,359	(654,551)	**4,700,641**

[1] During the first fiscal quarter, Anaconda sold a 50% interest in its San Gabriel project in exchange for a 50% interest in surrounding iron exploration concessions in the immediate area of San Gabriel. Balance for represents current additions of $818,867 less disposals of $2,040,322.

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

[3] This balance represents a reversal of amounts previously written off regarding local IVA (recoverable tax for services rendered).

10. Leasehold improvements

As at	**February 28, 2011**		May 31, 2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Leasehold Improvements	**16,765**	**14,764**	16,765	12,253
	16,765	**14,764**	16,765	12,253
Net Book Value	**2,001**		4,512	

11. Property, mill and equipment

As at	**February 28, 2011**		May 31, 2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Mill	**5,981,940**	**235,742**	2,725,567	148,268
Equipment	**797,459**	**53,707**	2,541,090	29,733
Property[1]	**12,443,759**	**742,995**	8,670,828	566,610
	19,223,158	**1,032,444**	13,937,485	744,611
Net Book Value	**18,190,714**		13,192,874	

[1]Acquisition of remaining 40%-interest in the Pine Cove project

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

On August 30, 2010, Anaconda and New Island issued a joint press release announcing that they reached agreement on a transaction (the "Transaction") to be structured as a plan of arrangement, pursuant to which a total of 22,602,315 Anaconda common shares will be distributed to the shareholders of New Island in exchange for New Island's interest in the Pine Cove project. In addition, pursuant to the proposed plan of arrangement, all of the 25,098,860 New Island shares acquired by Anaconda pursuant to its current take-over bid will be returned to tendering shareholders. The Transaction received approval by special resolution and a majority of minority of the New Island shareholders on January 11, 2011 and received final approval of the Alberta Court of the Queen's Bench on January 13, 2011.

The Company acquired the Pine Cove assets owned by New Island and valued the acquisition based on the fair value of the securities issued to acquire the remaining asset (being the remaining 40% of the project it did not already own) once the Transaction was finalized and received both shareholder and court approval (*CICA Section 3381.10 – Non-monetary Transactions*). The Company issued a total of 22,602,315 shares to acquire the asset. The closing price of Anaconda shares on January 13, 2011, was $0.14, resulting in a fair value of $3,164,324.

The Company also incurred $608,610 (2010 - $Nil) of Transaction costs as at January 13, 2011, and these costs have also been capitalized to property, mill and equipment on the consolidated balance sheet.

12. Promissory notes

During the three months ended February 28, 2011, Anaconda issued promissory with a face value of $1,866,700 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 $1,697,000 that the Company has utilized for working capital purposes. The promissory notes were issued pursuant to a standby guarantee agreement whereby certain existing shareholders (some insiders *(note 19)*) of the Company agreed to subscribe to and purchase a portion of the upcoming rights offering to be completed by Anaconda (see below for details). The discount to face value will be accreted to interest expense over the term of the promissory notes. For the period ended February 28, 2011, $112,057 (2010 - $Nil) has been charged to interest expense. Also see *note 25* ***– Subsequent events***.

Rights offering

On April 1, 2011, the Company announced a rights offering that, if fully subscribed, will result in gross proceeds of $2,218,051. The rights offering is expected to be completed by May 4, 2011. Anaconda will be issuing to holders of its common shares as of record at the close of business on April 7, 2011, transferable rights certificates to subscribe for common shares before 4:00 p.m. (Toronto time) on May 3, 2011 on the terms set out in a rights offering circular dated March 31, 2011 (the "Rights Offering Circular").

Estimated deferred transaction costs of $80,000 (to February 28, 2011) regarding the rights offering, have been accrued and carried on the consolidated balance sheet.

See *note 25* ***– Subsequent events***.

13. Loans

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

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

The following table provides the details of the short and long-term components of the loans as at February 28, 2011:

	$
Principal balance repayable	937,333
Less: principal repayments for the period	(31,242)
Principal balance due – February 28, 2011	**906,091**
Less: Short-term component (due within 1 year)	(521,571)
Long-term component – February 28, 2011	**384,520**

14. Convertible loan

	$
Principal balance repayable	2,000,000
Less: Value of conversion feature	(184,000)
Original carrying value	1,816,000
Add: Interest accretion on conversion feature	82,072
Ending carrying value – May 31, 2009	**1,898,072**
Add: Interest accretion for year	101,928
Less: Principal repayment	(60,000)
Less: Value of conversion feature of new loan	(150,000)
Ending carrying value – May 31, 2010	**1,790,000**
Add: Interest accretion for 9 months	27,792
Ending carrying value – February 28, 2011	**1,817,792**

The convertible loan accrues interest at 12% per annum, payable monthly and matures on September 15, 2013. The holder may convert the indebtedness, in whole or in part, into units of the Company, each unit consisting of one common share and one-half of one common share purchase warrant, at the greater of (i) $1.00 per unit and (ii) the volume weighted average trading price of the common shares of the Company for the twenty trading days immediately preceding the date of the notice on conversion, per unit. Each whole warrant received on the conversion will entitle the holder to purchase one common share during the 18 months after the date of conversion at (i) a price of $1.25 per share where the conversion price was $1.00, or (ii) at a price equal to 1.25 times the conversion price.

15. Convertible debentures – series I

	$
Principal balance repayable	1,713,000
Less: Discount on issuance	(171,300)
Cash proceeds received	1,541,700
Less: Value of conversion feature	(132,700)
Original carrying value	1,409,000
Add: Interest accretion for year	36,574
Ending carrying value – May 31, 2009	**1,445,574**
Add: Interest accretion for year	54,412
Ending carrying value – May 31, 2010	**1,499,986**
Add: Interest accretion for 9 months	43,231
Ending carrying value – February 28, 2011	**1,543,217**

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

16. Debentures – series II

	$
Principal balance repayable	3,247,000
Less: Discount on issuance	(324,700)
Cash proceeds received	2,922,300
Less: Warrant value	(565,737)
Original carrying value	**2,356,563**
Add: Interest accretion for period	54,879
Ending carrying value – May 31, 2010	**2,411,442**
Add: Interest accretion for 9 months	139,180

Ending carrying value – November 30, 2010	**2,550,622**

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

17. Debentures – series III

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

As the Series III Debentures are due within the next 12 months, the entire carrying value is included in current portion of long-term debt on the consolidated balance sheets.

	$
Principal balance repayable	841,667
Less: Discount on issuance	(21,886)
Cash proceeds received	819,781
Less: Value of warrants	(35,743)
Original carrying value	784,038
Add: Interest accretion for period	33,291
Ending carrying value - February 28, 2011	**817,329**

18. Asset retirement obligations

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

	February 28, 2011	May 31, 2010
	$	$
Opening balance	**605,875**	722,400
Additions/(deductions) to provision for reclamation	**-**	(162,000)
Interest accretion	**54,528**	45,475

Closing balance	**660,403**	605,875

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. The provision for reclamation is provided against the Company's Pine Cove project and is based on the project plan approved by the Government of Newfoundland.
In concert with the Company's asset retirement obligations, it has issued letters of credit in the amount of $644,550 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development plan.

19. Related party transactions

3 months ended February 28, 2011

For the 3 months ended February 28, 2011, the interim consolidated financial statements include $157,526 (2010 - $335,984) in consulting expenses and $57,403 (2010 - $59,178) of interest charges of which $8,138 (2010 - $25,713) is non-cash interest accretion regarding the conversion feature of the convertible loan. $37,631 (2010 - $Nil) of the interest payable for the 3 months ended February 28, 2011 has been accrued but not paid upon approval of the lender. The consulting expenses and interest charges were incurred with directors and/or officers of the Company or corporations controlled by them.

During the third quarter, the Company was further advanced $13,750 (2010 - $Nil) from a director of the Company, and issued a demand loan in consideration thereof. The demand loan is interest free and has no fixed terms of repayment.

During the third quarter, the Company issued $192,500 (2010 - $Nil) of face-value promissory notes in consideration for loans advanced by directors and/or officers of the Company.

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

9 months ended February 28, 2011

For the 9 months ended February 28, 2011, the interim consolidated financial statements include $454,118 (2010 - $719,184) in consulting expense and $201,914 (2010 - $181,381) of interest charges of which $27,792 (2010 - $80,748) is non-cash interest accretion regarding the conversion feature of the convertible loan. The consulting expenses and interest charges were incurred with directors and/or officers of the Company or corporations controlled by them.

During the 9 months ended February 28, 2011, insiders of the Company purchased $26,500 (2010 - $Nil) of the total of $153,000 (2010 - $Nil) of the investments that were sold by Anaconda *(note 8)*.

As at February 28, 2011, the due to related party balance contains amounts in the form of demand loans of $487,098 (May 31, 2010 - $Nil) to officers and/or directors of the Company or corporations controlled by them and amounts due to the Company's Chilean General Manager, SBX (or companies controlled by it) of $387,355 (May 31, 2010 - $676,436). The demand loans are interest free and have no fixed terms of repayment.

As at February 28, 2011, the promissory notes balance *(note 12)* includes $175,000 (May 31, 2010 - $Nil) ($192,500 of face-value) issued in consideration of loans provided by officers and/or directors of the Company.

As at February 28, 2011, the due from related party balance contains $934,114 (May 31, 2010 – $Nil) due from SBX pursuant to the sale of the Company's 50% interest in its San Gabriel project and $103,920 from officers and/or directors of the Company or corporations controlled by them regarding recharges for office costs.

As at February 28, 2011, the accounts payable and accrued liabilities balance includes $337,222 (May 31, 2010 - $47,087) of amounts due to related parties for unpaid interest on the convertible loan and consulting costs.

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

20. Capital stock

(a) Common shares

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

The issued and outstanding common shares are as follows:

	Number of Shares	$
Balance at May 31, 2009	**85,021,260**	**23,303,314**
Issued for cash:		
Private placement	3,333,334	500,000
Exercise of warrants	14,809,277	2,221,392
Fair value of exercised warrants	-	511,186
Fair value of issued warrants	-	(283,335)
Balance at May 31, 2010	**103,163,871**	**26,252,557**
Issued pursuant to additional 40% interest in Pine Cove project *(note 11)*	22,602,315	3,168,571
Issued in lieu of series II debenture interest (*note 16*)	979,586	249,797[1]
Balance at February 28, 2011	**126,745,772**	**29,670,925**

[1]This amount was calculated using the 5-day, volume weighted average closing price of the Company's common shares immediately preceding the interest-payment date. Pursuant to *CICA 3855.52*, the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the fair value of the consideration paid, including any non-cash assets transferred or liabilities assumed, should be included in net income for the period. The fair value of the securities issued (as determined by the closing price of Anaconda's shares on the date of issuance was not materially different from the 5-day volume weighted average of the closing price of the Company's shares as required pursuant to the series II debentures.

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

Private Placement – Fiscal 2010

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

(b) Warrants

The outstanding warrants balance at February 28, 2011, is comprised as follows:

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

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

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

***** See *note 25* – ***Subsequent events*** for details on the extension of the maturity dates for a portion of these warrants.

(c) Options

Anaconda has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at February 28, 2011, the Company has 184,577 (2010 – 4,295,459) options available for issuance under the plan. Continuity of the unexercised options to purchase common shares is as follows:

	February 28, 2011		May 31, 2010	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of period	**0.38**	**7,225,000**	0.90	2,645,000
Transactions during the period:				
Granted	**0.11**	**5,850,000**	0.21	5,455,000
Exercised	**-**	**-**	-	-
Forfeited	**0.72**	**(585,000)**	0.91	(875,000)
Expired	**-**	**-**	-	-
Outstanding at end of period	**0.24**	**12,490,000**	0.38	7,225,000
Exercisable at end of period		**3,677,500**		2,060,000

The following table provides additional information about outstanding stock options at February 28, 2011:

Range of Exercise Prices ($)	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**	**No. of Options Currently Exercisable**
0.11 – 0.15	5,850,000	5.0	0.11	650,000
0.16 – 0.79	5,325,000	3.2	0.21	2,362,500
0.80 – 1.10	1,315,000	1.5	0.92	665,000
	12,490,000	**3.8**	**0.24**	**3,677,500**

Stock-based compensation

The grant-date fair value of the stock options granted during the 3 months ended February 28, 2011 was $0.091 per option (2010 - $Nil). Total stock-based compensation expense for the 9 months ended February 28, 2011 was $432,422 (2010 - $92,160).

21. Contributed surplus

	$
Balance at May 31, 2009	**4,561,475**
Stock-based compensation	287,521
Fair value of expired warrants transferred from warrants	398,366
Balance at May 31, 2010	**5,247,362**
Stock-based compensation	432,422
Balance at February 28, 2011	**5,679,784**

22. Segmented information

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

9 months ended	February 28, 2011	February 28, 2010
	$	$
Revenues:		
Canada	**3,910,031**	10,324,920
Consolidated revenues	**3,910,031**	10,324,920
Net loss		
Canada	**(7,537,940)**	(957,812)
Chile	**(2,794,019)**	(779,513)
Consolidated net loss	**(10,331,959)**	(1,637,325)

As at	February 28, 2011	May 31, 2010
Identifiable Assets:		
Canada	**20,496,364**	16,106,599
Chile	**2,749,787**	5,278,729
Consolidated identifiable assets	**22,846,151**	21,385,328

9 months ended	February 28, 2011	February 28, 2010
Significant non-cash items:		
Canada		
Stock-based compensation		92,160
Interest accretion	**432,422**	242,944
Interest paid with share issuance	**249,797**	-
Acquisition of remaining Pine Cove assets	**3,164,324**	-
Write-down of deferred exploration expenditures	**-**	725,257

Future income tax expense (recovery)	**(160,050)**	3,333
Deferred transaction costs	**80,000**	-
Loss on sale of investments	**1,464,000**	-
Depreciation, depletion and amortization	**339,008**	552,123
	5,569,501	1,789,132
Chile		
Write-down of deferred exploration expenditures	**554,542**	181
Loss on disposition of property	**1,483,157**	-
Amortization	**2,511**	1,626
	2,040,210	1,807
Consolidated significant non-cash items	**7,609,711**	1,790,939

24. Commitments

During the second fiscal quarter, Anaconda entered into a lease agreement for its new office premises. The lease commences on April 1, 2011 and runs through March 31, 2017, inclusive. Under the terms of the lease, Anaconda is also responsible for realty taxes, insurance, maintenance and its proportionate share of common area costs. Minimum payments over the lease period are as follows: Fiscal 2011 - $73,000; fiscal 2012 - $292,000; fiscal 2013 - $292,000; fiscal 2014 - $292,000; fiscal 2015 - $292,000; fiscal 2016 – $122,000

25. Subsequent events

Rights offering

On April 1, 2011, Anaconda announced the terms of a rights offering to holders of common shares. Anaconda will be issuing to holders of its common shares as of record at the close of business on April 7, 2011 transferable rights certificates to subscribe for common shares before 4:00 p.m. (Toronto time) on May 3, 2011 on the terms set out in a Rights Offering Circular dated March 31, 2011, to be mailed by Anaconda to its shareholders. The Rights Offering Circular will also be available on the SEDAR website at www.sedar.com. One right (a "Right") will be issued for each common share outstanding and four (4) Rights will permit the shareholder to purchase one common share (a "Share") for $0.07 per Share. If fully subscribed, the gross proceeds of the rights offering will be $2,218,051.

The Rights and the underlying common shares have been approved for listing on the TSX. If all Rights are subscribed for, 31,686,443 Shares will be issued for total gross proceeds of $2,218,051. The offering is not subject to any minimum subscription level. Certain investors including members of management have agreed to provide a standby guarantee in the amount of $2,218,051 (the "Standby Guarantee"), of which $2,145,000 has already been advanced to Anaconda Mining in the form of promissory notes due on June 29, 2011 and June 30, 2011 *(note 12)*. Pursuant to a standby guarantee, the standby guarantors will be issued 7,921,611 common share purchase warrants (the "Guarantor Warrants"). Each whole Guarantor Warrant entitles the holder to purchase one common share for $0.08 until May 3, 2013.

Net proceeds after Rights Offering expenses will be released to Anaconda to be used for working capital purposes. If Anaconda calls upon the Standby Guarantee shares shall be issued to the standby guarantors for the amount of unsubscribed Rights and will settle the applicable amount of promissory notes, which may include up to $412,500 of promissory notes held by insiders.

Promissory notes

Subsequent to February 28, 2011, the Company issued additional promissory notes with a face value of $330,000 ($220,000 to related parties) with a maturity of April 30, 2011 and $330,000 with a maturity date of June 30, 2011. The promissory notes were issued pursuant to the backstop provision of the upcoming rights offering and carry no interest but were issued at a 9.1% discount to face amount.

Extension to warrant expiry dates

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

At this time, the 2009 Warrants entitle the holders to purchase common shares of Anaconda at an exercise price of $0.20 per common share until 5:00 p.m. (Toronto time) on April 23, 2011 and May 11, 2011, as applicable. There are 10,690,723 2009 Warrants outstanding, of which 6,855,723 2009 Warrants are held by non-insiders and 3,835,000 2009 Warrants are held by insiders of the Company.

The 2010 Warrants entitle the holders to purchase common shares of Anaconda at an exercise price of $0.22 until 5:00 p.m. (Toronto time) on July 25, 2011. There are 3,984,069 2010 Warrants outstanding, of which 3,576,705 2010 Warrants are held by non-insiders and 407,364 2010 Warrants are held by insiders of the Company.

The 2009 Warrants and the 2010 Warrants held by insiders of the Company will not be extended, as consented to by such insiders. The 2009 Warrants held by non-insiders, as a result of the proposed amendment, will entitle such holders to purchase common shares at an exercise price of $0.20 per common share until 5:00 p.m. (Toronto time) on April 23, 2012 and May 11, 2012, as applicable. And the 2010 Warrants held by non-insiders, as a result of the proposed amendment, will entitle such holders to purchase common shares at an exercise price of $0.22 per common share until 5:00 p.m. (Toronto time) on July 25, 2012. The common shares underlying the 2009 Warrants and the 2010 Warrants held by non-insiders which are subject to the proposed amendment represent approximately 8.2% of the currently issued and outstanding common shares of the Company.