

**NOTICE TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED
AUGUST 31, 2006**

ANACONDA GOLD CORP.

(AN EXPLORATION STAGE ENTITY)

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Anaconda Gold Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the May 31, 2006 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

Auditors' involvement

The auditors of Anaconda Gold Corp. have not performed a review of the unaudited consolidated financial statements for the three months ended August 31, 2006 and August 31, 2005.

ANACONDA GOLD CORP.
(An exploration stage entity)
CONSOLIDATED BALANCE SHEETS
(PREPARED BY MANAGEMENT - UNAUDITED)

	August 31, 2006	May 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 615,798	\$ 2,136,733
Marketable securities	3,969	3,969
Receivables	113,018	13,931
Deposit	-	96,324
	732,785	2,250,957
Mineral properties and related deferred costs	4,573,102	4,381,330
Property, plant and equipment (Note 3)	1,259,830	-
	\$ 6,565,717	\$ 6,632,287
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 147,726	\$ 111,296
SHAREHOLDERS' EQUITY		
Capital stock (Note 2(b))	8,869,465	8,861,965
Warrants (Note 2(c))	478,470	478,470
Contributed surplus (Note 2(d))	143,969	115,701
Deficit	(3,073,913)	(2,935,145)
	6,417,991	6,520,991
	\$ 6,565,717	\$ 6,632,287

See accompanying notes to consolidated financial statements

Gain concern (Note 1)

ANACONDA GOLD CORP.
(An exploration stage entity)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(PREPARED BY MANAGEMENT - UNAUDITED)

	Three Months Ended August 31,		Cumulative from date of inception of the exploration stage (November 30, 2003)
	2006	2005	
Income			
Investment Income	\$ 12,627	\$ 2,490	\$ 118,638
Sale of uranium data	-	-	156,000
	12,627	2,490	274,638
Expenses			
Finance charges	45,424	-	45,424
Foreign exchange loss	9	3,998	700
Interest expense	-	-	26,603
Legal, audit and regulatory expenses	678	1,362	244,180
Management services	16,066	16,078	142,022
General exploration activities	4,000	688	36,576
Office administration and rent	11,136	32,523	191,472
Shareholder relations	25,914	2,369	183,520
Stock-based compensation (Note 5)	28,268	6,301	245,185
Travel	19,900	-	81,674
Unrealized loss on marketable securities	-	1,400	83,281
Write-down of mineral properties	-	1,500	197,153
	151,395	66,219	1,477,790
Loss before income taxes	(138,768)	(63,729)	(1,203,152)
Future income tax recovery	-	-	762,854
Net loss	(138,768)	(63,729)	(440,298)
Deficit, beginning of period	(2,935,145)	(2,532,090)	(2,633,615)
Deficit, end of period	\$ (3,073,913)	\$ (2,595,819)	\$ (3,073,913)
Basic and diluted loss per share	\$ 0.00	\$ 0.00	
Weighted average number of shares outstanding	36,172,233	29,378,632	

See accompanying notes to consolidated financial statements

ANACONDA GOLD CORP.
(An exploration stage entity)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(PREPARED BY MANAGEMENT - UNAUDITED)

	Three Months Ended August 31,		Cumulative from date of inception of the exploration stage (November 30, 2003)
	2006	2005	
Cash Provided By (Used In)			
Operations			
Net loss	\$ (138,768)	\$ (63,729)	\$ (440,298)
Items not involving cash:			
Write-down of mineral properties	-	1,500	197,153
Stock-based compensation (Note 5)	28,268	6,301	245,185
Other	-	-	(93,255)
Gain on sale of marketable securities	-	-	(53,769)
Sale of uranium data	-	-	(156,000)
Unrealized loss on marketable securities	-	1,400	83,281
Future income tax recovery	-	-	(762,854)
	(110,500)	(54,528)	(980,557)
Changes in non-cash working capital			
Receivables	(99,087)	117,459	(92,567)
Deposit	96,324	-	-
Accounts payable and accrued liabilities	36,430	(84,244)	(63,327)
	(76,833)	(21,313)	(1,136,451)
Financing			
Proceeds on issuance of common shares	-	-	5,095,600
Cost of issue	-	-	(303,820)
	-	-	4,791,780
Investing			
Mineral property expenditures	(184,272)	(48,751)	(4,153,276)
Gold sales prior to commencement of commercial production	-	-	539,193
Loan receivable	-	-	50,000
Purchase of property, plant and equipment	(1,259,830)	-	(1,259,830)
Proceeds on sale of marketable securities	-	16,150	322,269
	(1,444,102)	(32,601)	(4,501,644)
Net change in cash and cash equivalents	(1,520,935)	(53,914)	(846,315)
Cash and cash equivalents, beginning of period	2,136,733	560,988	1,462,113
Cash and cash equivalents, end of period	\$ 615,798	\$ 507,074	\$ 615,798

See accompanying notes to consolidated financial statements

ANACONDA GOLD CORP.**(An exploration stage entity)****CONSOLIDATED STATEMENT OF MINERAL PROPERTIES AND RELATED DEFERRED COSTS
(PREPARED BY MANAGEMENT - UNAUDITED)**

	Horse Mountain	Lingman Lake	Borthwick Lake	Damoti Lake	Pine Cove	Dorset	Other
Balance at inception as exploration stage entity, November 30, 2003	\$ 257,596	\$ 300,000	\$ 451,823	\$ 62,186	\$ 45,559	\$ 15,000	\$ 58,856
Acquisition costs	(6,994)	-	-	50,500	91,500	-	15,000
Consulting	1,984	-	10,931	25,567	49,598	-	-
Management fees	-	-	2,962	3,868	30,497	-	-
Exploration expenses	31,311	25,517	58,567	81,283	136,833	-	(100)
Travel and entertainment	694	-	8,783	22,196	37,437	-	-
Drilling	-	-	-	230,858	117,803	-	-
Geosciences	-	-	97,705	-	-	-	-
General and office	-	-	-	-	5,125	-	-
Equipment rental	-	-	-	6,668	-	-	-
Write-off of expenditure	-	-	-	-	-	-	(73,756)
Balance, May 31, 2004	284,591	325,517	630,771	483,126	514,352	15,000	-
Acquisition costs	(201,969)	(81,000)	-	40,000	-	25,775	-
Consulting	-	-	5,150	35,875	63,941	-	-
Management fees	-	-	903	72,041	79,878	-	-
Exploration expenses	-	-	467	439,757	906,648	-	-
Travel and entertainment	-	-	751	55	21,873	-	-
Drilling	-	-	-	290,791	290,220	-	-
Geosciences	-	-	5,850	156,857	-	-	-
Assays, and analysis	-	-	-	-	1,745	-	-
General and office	-	-	-	-	25,612	-	-
Professional fees	-	-	-	-	6,372	-	-
Surveying and mapping	-	-	-	-	47,935	-	-
Rental expense	-	-	-	-	6,426	-	-
Government grant	-	-	-	-	(55,000)	-	-
Gold sales	-	-	-	-	(539,193)	-	-
Transportation	-	-	-	-	2,727	-	-
Write-off of expenditure	-	-	-	-	-	(40,775)	-
Balance, May 31, 2005	82,622	244,517	643,892	1,518,502	1,373,536	-	-
Acquisition costs	-	-	(20,000)	95,500	-	-	-
Consulting	-	-	950	500	58,067	-	-
Management fees	-	-	1,048	12,063	14,663	-	-
Exploration expenses	-	-	-	39,093	91,635	-	-
Travel and entertainment	-	-	1,567	14,233	13,323	-	-
Drilling	-	-	-	73,040	66,144	-	-
Geosciences	-	-	-	2,100	-	-	-
Assays, and analysis	-	-	-	4,130	1,141	-	-
Professional fees	-	-	-	-	10,000	-	-
Surveying and mapping	-	-	15,920	-	17,250	-	-
Rental expense	-	-	-	-	1,891	-	-
Claim maintenance	-	-	-	-	51,533	-	-
Bonding costs	-	-	-	25,000	-	-	-
Transportation	-	-	-	-	10,092	-	-
Written off during year	(82,622)	-	-	-	-	-	-
Balance, May 31, 2006	\$ -	\$ 244,517	\$ 643,377	\$ 1,784,161	\$ 1,709,275	\$ -	\$ -

ANACONDA GOLD CORP.**(An exploration stage entity)****CONSOLIDATED STATEMENT OF MINERAL PROPERTIES AND RELATED DEFERRED COSTS
(PREPARED BY MANAGEMENT - UNAUDITED)**

	Horse Mountain	Lingman Lake	Borthwick Lake	Damoti Lake	Pine Cove	Dorset	Other
Balance, May 31, 2006	\$ -	\$ 244,517	\$ 643,377	\$ 1,784,161	\$ 1,709,275	\$ -	\$ -
Acquisition costs	-	-	-	7,500	-	-	-
Consulting	-	-	-	24,581	30,482	-	-
Management fees	-	-	-	2,000	6,500	-	-
Exploration expenses	-	-	-	991	19,110	-	-
Travel and entertainment	-	-	-	24,705	1,282	-	-
Rental expense	-	-	-	1,621	-	-	-
Bonding costs	-	-	-	73,000	-	-	-
Balance, August 31, 2006	\$ -	\$ 244,517	\$ 643,377	\$ 1,918,559	\$ 1,766,649	\$ -	\$ -

Three Months Ended August 31, 2005

Balance, May 31, 2005	\$ 82,622	\$ 244,517	\$ 643,892	\$ 1,518,502	\$ 1,373,536	\$ -	\$ -
Acquisition costs	-	-	-	7,500	-	-	-
Consulting	-	-	-	(2,200)	(7,298)	-	-
Management fees	-	-	-	(5,689)	848	-	-
Exploration expenses	-	-	-	(46,210)	-	-	-
Travel and entertainment	-	-	-	-	(360)	-	-
Rental expense	-	-	-	-	-	-	-
Bonding costs	-	-	-	15,000	-	-	-
Transportation	-	-	-	-	1,911	-	-
Balance, August 31, 2005	\$ 82,622	\$ 244,517	\$ 643,892	\$ 1,486,903	\$ 1,368,637	\$ -	\$ -

For a description of these properties, refer to Note 3 of the audited consolidated financial statements as at May 31, 2006

ANACONDA GOLD CORP.
(An exploration stage entity)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT - UNAUDITED)

Three Months Ended August 31, 2006

1. NATURE OF OPERATIONS, ACCOUNTING POLICIES AND GOING CONCERN

Anaconda Gold Corp. (the "Company" and "Anaconda") was incorporated under the laws of British Columbia. On July 22, 2002, the Company changed its name from Anaconda Uranium Corporation to Anaconda Gold Corp. Under Articles of Continuance dated July 22, 2002 the Company continued its governing jurisdiction from the Province of British Columbia to the Province of Ontario and changed its authorized share capital (Note 2). Effective November 30, 2003 the Company is engaged in the acquisition, exploration, evaluation and development of principally gold resource properties. As such, the cumulative from date of inception of the exploration stage information commences on November 30, 2003.

The Company has not yet established whether its mineral properties contain reserves that are economically recoverable. The recovery of amounts capitalized for mineral properties and related deferred costs in the consolidated balance sheet is dependant upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties and upon future profitable production or proceeds from their disposition.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has suffered recurring losses from operations that raise substantial doubt as to its ability to continue as a going concern. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended August 31, 2006 may not necessarily be indicative of the results that may be expected for the year ending May 31, 2007.

The balance sheet at May 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended May 31, 2006. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual consolidated financial statements for the year ended May 31, 2006.

New Accounting Pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments – Recognition and Measurement and Handbook Section 3865, Hedges. These standards are effective for interim and annual consolidated financial statements for the Company's fiscal years beginning October 1, 2006.

ANACONDA GOLD CORP.
(An exploration stage entity)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT - UNAUDITED)

Three Months Ended August 31, 2006

2. CAPITAL STOCK

(a) Authorized

The authorized share capital consists of an unlimited number of common shares.

(b) Issued and outstanding

	Number of Shares	Consideration
Balance on inception as an exploration stage entity, November 30, 2003	20,655,276	\$ 5,067,008
Issued for property option payments	325,000	98,000
Exercise of warrants	145,000	43,500
Balance, May 31, 2004	21,125,276	5,208,508
Issued for property option payments	85,000	25,500
Issued for cash under private placements	1,500,000	450,000
Issued for cash under flow-through private placement	6,600,000	2,112,000
Issued as consideration for share issue costs	50,000	15,000
Share issue costs	-	(221,950)
Warrants	-	(16,650)
Renunciation of flow-through expenditures	-	(762,854)
Balance, May 31, 2005	29,360,276	6,809,554
Issued for property option payments	25,000	7,500
Issued for cash under private placements	4,483,847	1,914,501
Issued as consideration for share issue costs	160,000	24,000
Share issue costs	-	(120,870)
Warrants	-	(520,000)
Issued on warrant exercise	889,000	270,600
Warrant exercise - valuation	-	58,180
Issued on stock option exercise	1,250,000	305,000
Stock option exercise - valuation	-	113,500
Balance, May 31, 2006	36,168,123	8,861,965
Issued for property option payments (1)	25,000	7,500
Balance, August 31, 2006	36,193,123	\$ 8,869,465

(1) Issued for property options payments

On August 16, 2006, the Company issued 25,000 shares to fulfil one of its obligations to acquire the Damoti Lake property for deemed consideration of \$7,500.

ANACONDA GOLD CORP.
(An exploration stage entity)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT - UNAUDITED)

Three Months Ended August 31, 2006

2. CAPITAL STOCK (continued)

(c) Warrants

	Value	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2006	\$ 478,470	2,602,923	\$ 0.50
Warrants granted	-	-	-
Warrants exercised	-	-	-
Warrants expired	-	-	-
Balance, August 31, 2006	\$ 478,470	2,602,923	\$ 0.50

As at August 31, 2006, the following warrants are outstanding to purchase common shares:

Date of Grant	Warrants Outstanding	Value	Exercise Price	Expiry Date
September 19, 2005	1,000,000	\$ 100,600	\$ 0.23	September 23, 2007
June 16, 2004	361,000	8,870	0.40	June 16, 2008
August 2, 2005	1,241,923	369,000	0.75	August 2, 2008
	2,602,923	\$ 478,470		

(d) Contributed Surplus

A summary of changes to contributed surplus is as follows:

Balance, May 31, 2006	\$ 115,701
Stock-based compensation	28,268
Balance, August 31, 2006	\$ 143,969

3. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2006			May 31, 2006		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Mining equipment and mill development (1)	\$ 1,259,830	\$ -	\$ 1,259,830	\$ -	\$ -	\$ -

(1) Amortization will not be taken until the Company is in commercial production.

ANACONDA GOLD CORP.
(An exploration stage entity)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT - UNAUDITED)

Three Months Ended August 31, 2006

4. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and accordingly basic and diluted loss are the same.

5. STOCK-BASED COMPENSATION

Stock option transactions and the number of stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2006	2,150,000	\$ 0.35
Options granted	-	-
Options exercised	-	-
Options cancelled	-	-
Balance, August 31, 2006	2,150,000	\$ 0.35

As at August 31, 2006, the following stock options are outstanding to purchase common shares:

Date of Grant	Number	Exercise Price	Expiry Date
January 14, 2003	1,240,000	\$ 0.30	January 14, 2008
September 25, 2003	100,000	0.30	September 25, 2008
January 22, 2004	560,000	0.32	January 22, 2009
January 21, 2006	150,000	0.79	January 21, 2009
March 23, 2006	100,000	0.51	March 23, 2007
	2,150,000		

On January 21, 2006, the Company granted 150,000 options to a consultant to acquire common shares of the Company at a price of \$0.79 per common share, expiring on January 21, 2009. A value of \$43,000 was assigned to the options using the Black-Scholes option pricing model with the following assumptions; dividend yield - 0%, volatility - 85%, risk-free interest rate - 3.83% and an expected life of 1.5 years. As of August 31, 2006, \$28,268 was expensed to the statement of operations and deficit with the corresponding amount allocated to contributed surplus. The remaining portion of \$14,732 will be expensed in future periods.

ANACONDA GOLD CORP.
(An exploration stage entity)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT - UNAUDITED)

Three Months Ended August 31, 2006

6. INCOME TAXES

Estimated taxable income for the period is \$nil. Based upon the level of historical taxable income it cannot be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by an equivalent estimated taxable temporary difference valuation allowance.

The estimated taxable temporary difference valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

7. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is \$34,511 (2005 - \$17,124) due to a company controlled by a director of the Company.

During the period, the Company accrued or paid management fees, which are included in the mineral properties and related deferred costs, of \$8,500 (2005 - \$2,300) and expensed \$4,000 (2005 - \$nil) to a company controlled by an officer. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. OTHER INFORMATION

On September 18, 2006, the Company signed a letter of intent with Colorado Minerals Inc. ("Colorado") to acquire all of the issued and outstanding shares of Colorado or complete some other form of business combination as the parties may agree.

Under the terms of the letter of intent, Anaconda will acquire the shares of Colorado in exchange for issuing to shareholders of Colorado an aggregate number of post consolidated common shares of Anaconda equal to approximately 100% of the then issued and outstanding common shares of Anaconda.

9. SUBSEQUENT EVENT

On September 20, 2006, 300,000 stock options that expire on January 14, 2008 and 140,000 stock options that expire on January 21, 2009 were exercised for proceeds of \$134,800.

On September 29, 2006, 20,000 stock options that expire on January 21, 2009 were exercised for proceeds of 6,400.