



**Consolidated Financial Statements**  
**(Unaudited)**

**First Quarter and 3 months ended**  
**August 31, 2007**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

**Anaconda Mining Inc.**  
(Formerly Anaconda Gold Corp.)

**Consolidated Balance Sheets**

<b>As at</b>	<b>August 31, 2007</b>	<b>May 31, 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 2)	7,162,253	9,983,977
GST recoverable	115,385	51,557
Prepays and deposits	233,059	286,448
	<b>7,510,697</b>	10,321,982
<b>Mineral properties and deferred exploration expenditures (note 3)</b>	<b>13,699,790</b>	11,100,205
<b>Leasehold improvements (note 4)</b>	<b>13,509</b>	14,324
<b>Mill and equipment (note 5)</b>	<b>1,551,080</b>	1,354,483
<b>Deferred call option premiums (note 7)</b>	<b>456,300</b>	456,300
<b>Deferred financing costs (note 6)</b>	<b>171,552</b>	245,074
	<b>23,402,928</b>	23,492,368
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	835,212	920,545
Due to related parties (note 8)	1,000	1,000
Loan payable (note 6)	2,641,000	2,674,750
	<b>3,477,212</b>	3,596,295
<b>Asset retirement obligations (note 11)</b>	<b>502,000</b>	250,000
	<b>3,979,212</b>	3,846,295
<b>Shareholders' equity</b>		
Capital Stock		
Common shares (note 9(a))	17,736,378	17,759,127
Warrants (note 9(b))	2,489,951	2,489,951
Contributed surplus (note 10)	1,057,277	-
Deficit	(1,859,890)	(603,005)
	<b>19,423,716</b>	19,646,073
	<b>23,402,928</b>	23,492,368

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

*These consolidated financial statements have been approved by the company's Board of Directors*

**Anaconda Mining Inc.**  
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**Consolidated Statements of Operations and Deficit**

	3 months ended	
	August 31, 2007	August 31, 2006
	\$	\$
<b>Interest income</b>	<b>61,657</b>	1,134
<b>Operating Expenses</b>		
Office and general	123,838	10,428
Consulting and professional fees (note 8)	199,450	72,993
Stock-based compensation	1,057,277	-
Representation and travel	23,635	-
Shareholder and regulatory reporting	41,643	-
Management fees	38,574	-
Salaries and benefits	110,633	-
Financing fees	73,522	-
Write-down of deferred exploration expenditures	89,794	-
	<b>1,758,366</b>	83,421
<b>Net loss before exchange gains (losses)</b>	<b>(1,696,709)</b>	(82,287)
Foreign exchange gain	439,824	45,090
<b>Net loss</b>	<b>(1,256,885)</b>	(37,196)
Deficit at beginning of period	(603,005)	(84,261)
<b>Deficit at end of period</b>	<b>(1,859,890)</b>	(121,457)
<b>Net loss per share – basic and fully diluted</b>	<b>\$0.02</b>	\$0.01
<b>Weighted average number of shares outstanding (000's)</b>	<b>55,421</b>	16,117

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**Anaconda Mining Inc.**  
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**Consolidated Statements of Cash Flow**

	3 months ended	
	August 31, 2007	August 31, 2006
	\$	\$
<b>Operations</b>		
Net loss	(1,256,885)	(37,196)
Adjustments to reconcile net loss to cash flow from operating activities:		
Amortization	815	-
Write-down of resource properties	89,794	-
Stock-based compensation	1,057,277	-
Financing fees	73,522	-
Foreign exchange losses	(33,750)	-
Net change in non-cash working capital items:		
GST recoverable	(63,826)	(277)
Prepays and deposits	53,389	(20,476)
Accounts payable and accrued liabilities	(85,333)	68,500
<b>Cash flow provided from (used in) operating activities</b>	<b>(164,997)</b>	<b>10,551</b>
<b>Financing</b>		
Issuance of common shares	-	665,000
Issuance costs	(22,750)	-
Due to related parties (note 8)	-	2,990
<b>Cash flow provided from (used in) financing activities</b>	<b>(22,750)</b>	<b>667,990</b>
<b>Investments</b>		
Expenditures on mineral properties and deferred exploration	(2,437,379)	(310,742)
Purchase of property, plant and equipment	(196,598)	-
<b>Cash flow used in investing activities</b>	<b>(2,633,977)</b>	<b>(310,742)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,821,724)</b>	<b>367,799</b>
Cash and cash equivalents at beginning of period	9,983,977	-
<b>Cash and cash equivalents at end of period</b>	<b>7,162,253</b>	<b>367,799</b>

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**Notes to the Consolidated Financial Statements**

**For the 3 months ended August 31, 2007 and  
For the period 3 months ended August 31, 2006**

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**General**

Anaconda Mining Inc. (the "Company" or "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. On April 18, 2007, the Company changed its name to Anaconda Mining Inc. immediately prior to the closing of the acquisition (the "Acquisition") of Colorado Minerals Inc. ("Colorado").

The Company's principal business activity is that of a mineral exploration company with operations in Canada and Chile.

**1. Summary of Significant Accounting Policies**

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, 2007.

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume 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. If the "going concern" assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in these financial statements.

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 on the consolidated balance sheets is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties and upon future profitable production or proceeds from their disposition.

**2. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks, including cashable guaranteed investment certificates.

**Anaconda Mining Inc.**  
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**Notes to the Consolidated Financial Statements**

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**3. Mineral Properties and Deferred Exploration Expenditures**

	August 31, 2007	May 31, 2007
	\$	\$
<b>Mineral Properties</b>		
Balance at beginning of period	9,148,770	1,052,568
Acquisitions costs	397,977	1,560,551
Costs written off	(89,794)	6,535,651
Balance at end of period	9,456,953	9,148,770
<b>Deferred Exploration Expenditures</b>		
Balance at beginning of period	1,701,435	189,200
Deferred exploration expenditures	2,039,402	1,512,235
Balance at end of period	3,740,837	1,701,435
<b>Asset Retirement Obligation (note 11)</b>	<b>502,000</b>	<b>250,000</b>
	<b>13,699,790</b>	<b>11,100,205</b>

A detailed breakdown of the Company's mineral properties and deferred exploration expenditures by property is as follows:

Property	August 31, 2007	May 31, 2007
	\$	\$
Carmen	2,157,769	2,142,595
Vicuna	1,285,309	1,074,265
Restauradora	1,856,210	807,875
Maria Silvita	60,031	60,031
San Gabriel	49,120	-
Manto Fidelito	248,866	-
Various Chilean	43,405	41,411
Pine Cove	3,259,355	2,375,144
Damoti Lake	3,724,784	3,736,853
Borthwick Lake	617,759	617,759
Lingman Lake	244,272	244,272
Brazilian exploration expenditures	152,910	-
	<b>13,699,790</b>	<b>11,100,205</b>

On a quarterly basis, management of the Company review exploration costs to ensure deferred expenditures include only costs and projects that are eligible to capitalization. For a description of Anaconda's mineral properties, refer to note 5 of the audited consolidated financial statements as at May 31, 2007.

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During the quarter ended August 31, 2007, the Company reviewed findings at two of its Restauradora drilling sites and concluded that it would allow options on those properties to lapse and that no further expenditures would be made at those locations. In accordance with Company policy, \$89,794 (US\$85,000) has been expensed during the quarter.

**4. Leasehold Improvements**

As at	August 31, 2007		May 31, 2007	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Leasehold Improvements	16,765	3,256	16,765	2,441
	<b>16,765</b>	<b>3,256</b>	16,765	2,441
<b>Net Book Value</b>	<b>13,509</b>		<b>14,324</b>	

**5. Mill and Equipment**

As at	August 31, 2007		May 31, 2007	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Mill	1,070,125	-	1,008,403	-
Equipment	480,955	-	346,080	-
	<b>1,551,080</b>	-	1,354,483	-
<b>Net Book Value</b>	<b>1,551,080</b>		<b>1,354,483</b>	

As per the Company's accounting policy, amortization of the building, plant and equipment will begin once commercial production commences at its Pine Cove project.

**6. Loan Facility**

On February 5, 2007, the Company announced that it has closed a production facility financing with Auramet Trading, LLC ("Auramet") of Fort Lee, New Jersey, pursuant to which Auramet has lent the sum of US\$2.5 million as a project facility (the "Loan").

As at August 31, 2007, the Company has fully drawn the Loan and, to-date, approximately \$1.5 million has been utilized for the completion of the Pine Cove gold mine. The Company is also amortizing the cost of the Loan (\$343,000, having been recorded as a deferred financing charge) evenly until March 31, 2008. Total amortized financing costs since the date of acquisition is \$171,448 (as at May 31, 2007 - \$35,127) leaving a remaining balance of deferred financing costs of \$171,552 (as at May 31, 2007 - \$245,074).

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**Notes to the Consolidated Financial Statements**

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**7. Gold Price Protection Program (“GPPP”)**

As a requirement under the Loan, Anaconda has entered into the GPPP with Auramet for the period of the Pine Cove Loan. The gold call option premium charged by Auramet was \$456,300 and will be charged to operations at the earlier of when the related designated production is sold or the contract is closed out.

As the production start date at its Pine Cove project has been pushed back to January 2008, the Company and Auramet are currently in discussions to revise the GPPP delivery dates of the required gold delivery thereunder.

The Company has designated these contracts as “normal sales contracts”. Normal sales contracts include those contracts whose obligations permit physical delivery of a company’s production. As a result, any gains or losses on these forward contracts will be recognised in gold revenue at the earlier of when the related designated production is sold or the contract is closed out. Based on the August 31, 2007, closing spot price for gold (US\$673.30/oz) on COMEX, the value of the GPPP as at August 31, 2007 is a US\$221,650. This would result in a loss of US\$168,350 for the period had the Company been required to mark-to-market the contracts.

**8. Related Party Transactions**

The amount due is to a shareholder and is non-interest bearing and without fixed terms of repayment.

The consolidated financial statements also include \$35,100 (as at May 31, 2007 - \$24,300) in consulting expense incurred with directors and/or officers of the Company or corporations controlled by them. These transactions are measured at their exchange amounts, being the amounts agreed upon between the Company and the related parties.

**9. 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:

	<b>Number of Shares</b>	<b>\$</b>
Issued for cash:		
Upon incorporation	200	10
Private placement	37,425,450	1,894,896
<b>Balance at September 30, 2006</b>	<b>37,425,650</b>	<b>1,894,906</b>
Issued for cash:		
Private placement	800,000	100,000

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**For the 3 months ended August 31, 2007 and  
For the period 3 months ended August 31, 2006**

<b>Balance at April 18, 2007<sup>1</sup></b>	<b>38,225,650</b>	<b>1,994,906</b>
1 for 2 share consolidation	(19,112,825)	-
Issuance of shares upon reverse take-over	19,701,560	6,496,398
Issued for cash:		
Public financing net of cost of \$1,888,097	16,531,250	11,336,903
Exercise of options	75,000	45,000
Fair value transfer to warrants	-	(2,114,080)
<b>Balance at May 31, 2007</b>	<b>55,420,635</b>	<b>17,759,127</b>
Public financing costs	-	(22,749)
<b>Balance at August 31, 2007</b>	<b>55,420,635</b>	<b>17,736,378</b>

<sup>1</sup>Date of Acquisition

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.

**(b) Warrants**

The outstanding Issued Warrants balance at August 31, 2007, is comprised of the following items:

<b>Date of Expiry</b>	<b>Type</b>	<b>Fair Value</b>	<b>No. of Warrants</b>	<b>Exercise Price \$</b>
September 19, 2007	Purchase warrants	-	250,000	0.46
April 19, 2009	Purchase warrants	2,114,080	8,265,625	1.20
April 19, 2008	Agents' warrants	375,871	991,875	0.80
<b>Total</b>		<b>2,489,951</b>	<b>9,507,500</b>	<b>1.14</b>

The following table provides additional information about outstanding issued warrants at August 31, 2007:

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Range of Exercise Prices (\$)	No. of Warrants Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price(\$)
0.25 - 0.50	250,000	0.0	0.46
0.51 – 1.00	991,875	1.6	0.80
1.01 – 1.50	8,265,625	1.6	1.20
	<b>9,507,500</b>	<b>1.6</b>	<b>1.14</b>

**(c) Options**

Anaconda has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. A continuity of the unexercised options to purchase common shares is as follows:

	August 31, 2007		May 31, 2007	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of period	0.81	250,000	-	-
Transactions during the period:				
Granted pursuant to RTO	-	-	0.39	545,000
Granted	0.80	2,150,000	-	-
Exercised	-	-	0.42	(75,000)
Forfeited	-	-	0.61	(220,000)
Expired	-	-	-	-
<b>Outstanding at end of period</b>	<b>0.80</b>	<b>2,400,000</b>	0.81	250,000
<b>Exercisable at end of period</b>	<b>0.80</b>	<b>2,185,000</b>	0.81	250,000

The following table provides additional information about outstanding stock options at August 31, 2007:

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Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
0.50 – 0.99	2,312,500	4.7	0.79
1.00 – 1.50	75,000	1.4	1.02
1.51 – 2.00	12,500	1.4	1.58
	<b>2,400,000</b>	<b>4.6</b>	<b>0.80</b>

**10. Contributed Surplus**

	\$
<b>Balance at May 31, 2007</b>	-
Stock-based compensation	1,057,277
<b>Balance at March 31, 2007</b>	<b>1,057,277</b>

**11. Asset Retirement Obligations (“ARO”)**

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

	August 31, 2007 \$	May 31, 2007 \$
Opening balance	250,000	-
Additions to provision for reclamation	252,000	250,000
Closing balance, May 31	<b>502,000</b>	250,000

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

In concert with the Company’s ARO obligations, it has issued letters of credit in the amount of \$502,000 to the Newfoundland and Labrador government in satisfaction of its requirements under the approved site development plan.

Upon commencement of commercial mining activities, this provision will be accreted over the life of the mine on a units-of-production basis, to the estimated retirement obligation payable through charges to operations.

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**Notes to the Consolidated Financial Statements**

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**12. Financial instruments**

***Fair values***

At August 31, 2007, the carrying values of cash and cash equivalents, GST recoverable and accounts payable and accrued liabilities reflected in the balance sheet approximate their fair values due to the short-term nature of those instruments.

***Foreign exchange risk***

Certain transactions and investments in Chile are exposed to foreign exchange risk on movements of the Chilean Peso and the US dollar.

**13. 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 amount 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 allowance will be adjusted in the period it is determined that it is more likely than not that some or all of the future tax assets or future tax liabilities will be realized.

**14. 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:

	<b>May 31, 2007</b>	May 31, 2007
<b><i>Identifiable Assets:</i></b>		
Canada	<b>16,934,141</b>	18,552,115
Chile	<b>6,238,017</b>	4,940,253
<b>Consolidated Identifiable Assets</b>	<b>23,402,928</b>	23,492,368
<b><i>For the 3 months ended August 31</i></b>		
	<b>2007</b>	2006
Canada	<b>(1,493,606)</b>	(37,196)
Chile	<b>236,722</b>	-
<b>Consolidated Net Loss</b>	<b>(1,256,885)</b>	(37,196)

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**Notes to the Consolidated Financial Statements**

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**15. Subsequent Events**

- (a) Subsequent to August 31, 2007, the Company announced that it had completed its definitive agreement with Minera Peñoles de Chile ("Peñoles") and EM DOS Limitada ("EM DOS") to jointly explore and develop the Company's Carmen copper-gold project in the Inca de Oro District of Chile. Under the terms of the agreement, Peñoles has the right to earn a 65% interest over a 48-month period by spending a total of US\$22 million. Of this amount, US\$12 million will comprise cash payments to Anaconda and EM DOS and US\$10 million will comprise direct exploration expenditures on the project.

On September 28, 2007, the Company announced that it had received its portion (US\$2.05 million) of the first payment of US\$3.0 million due under the Peñoles agreement. The Company also issued 400,000 shares of Anaconda Mining Inc., valued at \$176,000, to EM DOS as per the agreement.

- (b) Subsequent to August 31, 2007, the Company announced it had finalized its acquisitions of 2 new option agreements regarding the San Gabriel and Manto Fidelito projects located in the Chanaral and Copiapo regions, respectively, of Chile. The Company may earn a 100% interest in the San Gabriel project for staged option payments totalling US\$2.4 million (US\$20,000 was paid on signing the agreement) over the next 4 years. Also, it may earn a 90% interest in the Manto Fidelito project by making staged payments of US\$8 million (US\$50,000 was paid on signing the agreement) over the next 6 years.
- (c) Subsequent to August, the Company received gross proceeds of \$115,000 and issued 250,000 shares on the exercise of warrants that were to expire on September 23, 2007.