

Anvil Mining Limited

Consolidated Financial Statements

Third Quarter - September 30, 2006

(Unaudited)

(Expressed in thousands, of United States dollars except
per share amounts and as otherwise stated)

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

Consolidated Balance Sheets (unaudited)

	Notes	September 30 2006 \$	December 31 2005 \$
ASSETS			
Current assets			
Cash and cash equivalents		47,660	7,945
Restricted cash	3	207	204
Investments	4	98,414	-
Accounts receivable	5	48,352	7,915
Inventories	6	17,441	7,353
Prepaid expenses and deposits		792	826
		<u>212,866</u>	<u>24,243</u>
Deferred financing fees	7	718	1,584
Deferred mining costs	8	-	4,078
Exploration and evaluation expenditure	9	48,347	27,578
Property, plant and equipment	10	48,388	30,057
		<u>310,319</u>	<u>87,540</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		9,533	7,958
Current income taxes		3,599	75
Other liabilities		737	490
Current portion of long term debt	11	8,000	5,500
Purchase consideration payable	12	1,961	4,526
		<u>23,830</u>	<u>18,549</u>
Long term debt	11	6,000	5,146
Purchase consideration payable	12	-	2,085
Future income tax liability		12,403	6,413
Asset retirement obligations		794	778
		<u>43,027</u>	<u>32,971</u>
Non controlling interest	13	9,239	1,722
Shareholders' equity			
Equity accounts	14	186,609	42,310
Retained earnings		71,444	10,537
Total shareholders' equity		<u>258,053</u>	<u>52,847</u>
		<u>310,319</u>	<u>87,540</u>
Commitments for expenditure	15		
Contingent liabilities	16		
Subsequent events	20		

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

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

Consolidated Statements of Earnings and Retained Earnings (unaudited)

	Notes	3 Months Ended September 30		9 Months Ended September 30	
		2006 \$	2005 \$	2006 \$	2005 \$
Concentrate sales		56,550	17,775	132,728	35,963
Operating expenses		(16,531)	(9,993)	(45,843)	(23,201)
Amortization		(2,068)	(1,308)	(5,692)	(4,001)
Operating profit		37,951	6,474	81,193	8,761
Other income	2	2,046	9	3,811	68
General, administrative and marketing		(2,312)	(1,608)	(6,117)	(3,534)
Foreign exchange gains/(losses)		(71)	52	(342)	42
Stock based compensation		(370)	(226)	(968)	(510)
Interest and financing fees	2	(84)	(1,329)	(4,132)	(2,804)
Earnings before income tax and non controlling interest		37,160	3,372	73,445	2,023
Income tax		(2,774)	-	(3,604)	(18)
Non controlling interest		(4,229)	(468)	(8,934)	(565)
Net Earnings		30,157	2,904	60,907	1,440
Retained earnings at beginning of the period		41,287	1,566	10,537	3,030
Retained earnings at end of the period		71,444	4,470	71,444	4,470
Basic earnings per share	18	0.54	0.10	1.29	0.05
Diluted earnings per share	18	0.53	0.10	1.26	0.05

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

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

Consolidated Statements of Cash Flows (unaudited)

	Notes	3 Months Ended September 30		9 Months Ended September 30	
		2006 \$	2005 \$	2006 \$	2005 \$
Cash flows from operating activities					
Net earnings for the period		30,157	2,904	60,907	1,440
Items not affecting cash					
Amortization		2,068	1,308	5,692	4,001
Tax expense		2,774	-	3,604	18
Loss on disposal of assets		-	-	-	4
Non controlling interest		4,229	468	8,934	565
Borrowing costs - amortized		93	119	1,646	298
Unrealized foreign exchange (gains)/losses		7	(4)	5	(103)
Stock based compensation		370	226	968	510
Capitalized borrowing costs		-	(150)	-	(150)
Changes in non-cash working capital	19	(20,640)	(3,857)	(48,153)	(6,475)
		19,058	1,014	33,603	107
Cash flows from investing activities					
Payments for property, plant and equipment		(13,380)	(1,289)	(20,480)	(5,256)
Proceeds from sale of assets		24	-	97	1
Payments for exploration and evaluation expenditure		(477)	(926)	(4,486)	(10,279)
Payments for acquisition of additional 10% interest in AMCK Mining s.p.r.l.		(10,000)	-	(10,000)	-
Payments for deferred acquisitions costs		-	-	(4,078)	-
Payments for investments		(18,228)	-	(127,288)	-
Proceeds of principal repayments from investments		19,779	-	28,874	-
Interest and coupon payments received on investments		1,000	-	1,551	-
		(21,282)	(2,215)	(135,810)	(15,534)
Cash flows from financing activities					
Proceeds from issue of shares (net of issue expenses)		2,750	23	139,325	457
Movement in restricted cash		-	-	-	14,133
Proceeds from borrowings (net of fees incurred)		14,250	4,000	14,250	4,000
Repayment of borrowings		(1,000)	(1,875)	(11,652)	(5,225)
		16,000	2,148	141,923	13,365
Net increase/ (decrease) in cash and cash equivalents					
		13,776	947	39,716	(2,062)
Cash and cash equivalents at beginning of the period		33,884	1,552	7,945	4,559
Effects of exchange rate changes on cash held in foreign currencies		-	(1)	(1)	1
Cash and cash equivalents at end of the period		47,660	2,498	47,660	2,498

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**1. Basis of presentation**

The unaudited interim consolidated financial statements have been prepared by Anvil Mining Limited (the “Company” and “Group”) in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the Notes to the Company’s audited consolidated financial statements for the year ended December 31, 2005, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

	3 Months ended September 30		9 Months ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
2. Other Income				
Interest received	1,820	9	3,383	68
Drilling services	226	-	428	-
	<u>2,046</u>	<u>9</u>	<u>3,811</u>	<u>68</u>

Interest and financing**fees**

Financing fee (includes net smelter return – Note 11)	-	1,069	2,097	2,169
Interest	(9)	141	389	337
Amortization of deferred borrowing costs	93	119	1,646	298
	<u>84</u>	<u>1,329</u>	<u>4,132</u>	<u>2,804</u>

3. Restricted cash

Cash deposits held as security	<u>207</u>	<u>204</u>
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At September 30, 2006 and December 31, 2005, cash deposits were held by the Company’s bankers against a rental bond guarantee and trade credit facilities granted to the Company.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

4. Investments	September 30 2006	December 31 2005
	\$	\$
Investments at cost	98,414	-
Investments at market value	99,209	-
5. Accounts Receivable		
Trade receivables	41,730	6,964
Other receivables	6,622	951
	48,352	7,915
6. Inventories		
Raw materials and stores – at cost	5,848	3,634
Ore stockpiles – at lower of cost or net realizable value	3,198	1,113
Concentrate in stockpiles and in transit – at cost	8,395	2,606
	17,441	7,353
7. Deferred financing fees		
Balance at beginning of period	1,584	679
Deferred fees paid and value of options granted	780	1,402
Amortization	(1,646)	(497)
Balance at end of period	718	1,584
8. Deferred mining costs		
Costs at the beginning of period	4,078	2,617
Waste stripping costs deferred during the period	-	2,243
Waste stripping costs amortized during the period	(4,078)	(782)
Costs at end of period	-	4,078

During the nine month period ended September 30, 2006, the Group deferred nil (nine month period ended September 30, 2005 - \$1.607 million) for deferred stripping costs based on a remaining life of mine strip ratio of 13.3:1 compared to the actual average strip ratio for the nine month period ended September 30, 2006 of 5.8:1 (December 2005 – 17.1:1).

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	September 30 2006	December 31 2005
	\$	\$
9. Exploration and evaluation expenditure		
Exploration and evaluation expenditure at beginning of period	27,578	4,727
Expenditure transferred to development properties	(1,699)	(2,329)
Fair value of exploration properties acquired	19,967	21,378
Expenditure incurred	2,543	3,802
Expenditure written off	(42)	-
Exploration and evaluation expenditure at end of period	<u>48,347</u>	<u>27,578</u>
Costs incurred on:		
Dikulushi mine and regional projects	3,626	2,928
Mutoshi projects	17,348	18,177
Kinsevere-Nambulwa projects	26,152	5,516
Philippines regional exploration project	332	151
Duc Bo exploration project – Vietnam	889	806
	<u>48,347</u>	<u>27,578</u>

The carrying value of expenditure on areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation of the tenements, or alternatively the sale of the tenements for at least carrying value.

	September 30 2006		
	Cost	Accumulated depletion,	Net book
	\$	amortization and write-down	value
		\$	\$
Dikulushi⁽¹⁾			
Land and buildings	2,228	(938)	1,290
Plant and equipment	22,243	(7,622)	14,621
Mine property	6,605	(5,054)	1,551
Construction work in progress	2,932	-	2,932
	34,008	(13,614)	20,394
Kulu⁽²⁾			
Land and buildings	68	(6)	62
Plant and equipment	3,223	(925)	2,298
Mine property	10,679	(641)	10,038
Construction work in progress	609	-	609
	14,579	(1,572)	13,007
Kinsevere⁽³⁾			
Construction work in progress	10,778	-	10,778
Services⁽⁴⁾			
Land and buildings	748	(43)	705
Plant and equipment	3,209	(745)	2,464
Construction work in progress	649	-	649
	4,606	(788)	3,818
Corporate and other⁽⁵⁾	597	(206)	391
Total	<u>64,568</u>	<u>(16,180)</u>	<u>48,388</u>

⁽¹⁾ The Dikulushi property, plant and equipment includes all property, plant and equipment located at Dikulushi or used in the support of the Dikulushi operations but situated in the Democratic Republic of Congo (DRC) and elsewhere in Central and Southern Africa.

⁽²⁾ The Kulu property, plant and equipment include all property, plant and equipment located at Kolwezi in the DRC.

⁽³⁾ The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC.

⁽⁴⁾ The Services property, plant and equipment includes all property, plant and equipment at Lubumbashi in the DRC or used in the drilling, development, logistics and administrative services operations in the DRC.

⁽⁵⁾ The corporate and other assets are all located in Australia and Canada.

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	December 31 2005		
	Cost	Accumulated depletion, amortization and write-down	Net book value
	\$	\$	\$
Dikulushi⁽¹⁾			
Land and buildings	2,379	(670)	1,709
Plant and equipment	17,787	(5,208)	12,579
Mine property	6,466	(4,172)	2,294
Construction work in progress	900	-	900
	27,532	(10,050)	17,482
Kulu⁽²⁾			
Land and buildings	-	-	-
Plant and equipment	1,928	(123)	1,805
Mine property	5,933	(154)	5,779
Construction work in progress	3,031	-	3,031
	10,892	(277)	10,615
Services⁽⁴⁾			
Land and buildings	39	(1)	38
Plant and equipment	1,396	(41)	1,355
Construction work in progress	211	-	211
	1,646	(42)	1,604
Corporate and other⁽⁵⁾			
	463	(107)	356
Total	40,533	(10,476)	30,057

11. Long term debt facilities	September 30 2006	December 31 2005
	\$	\$
RMBI project financing	-	5,500
Deans Knight facility	-	5,146
Fortis Bank Facility	14,000	-
Total long-term debt	14,000	10,646
Less: current portion	(8,000)	(5,500)
	6,000	5,146

The scheduled minimum repayments are as follows:

Financial year 2006	8,000	5,500
Financial year 2007	6,000	5,146
	14,000	10,646

RMB International (Dublin) Limited ("RMBI") a subsidiary of the Rand Merchant Bank Group provided the initial project financing facility to a subsidiary for the purpose of developing Stage I of the Dikulushi Mine in 2002. The initial Stage I loan facility provided was \$4.5 million and scheduled repayments commenced on December 31, 2002. Further Stage II project financing of \$5.0 million and a facility of \$2.4 million to finance a replacement mining fleet for the Dikulushi Mine was also provided by RMBI. On March 21, 2006, the RMBI financing facilities were repaid in full.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

The loan securities of a fixed and floating charge over the assets of the Group and a negative pledge by all entities owned by the Company have been released. The loan bore interest at the London Interbank Offer Rate (LIBOR) + 2.5% per annum and was payable in arrears, quarterly. The effective interest rate for the three months ended September 30, 2006 was 0.0% (December 31, 2005 – 5.5%).

As part of the RMBI financing facility, the Group granted a 6.25% net smelter return financing fee to RMBI. The net smelter financing fee was payable until the Group had sold 65,000 tonnes of copper cathodes or equivalent from copper ore mined from the Dikulushi Project. On January 9, 2006, the net smelter return financing fee obligation was extinguished when the Group exercised the buy back option for \$2.0 million.

On March 21, 2006, the Company repaid in full the C\$6.0 million unsecured loan from Deans Knight Capital Management Ltd (“Deans Knight”), which was drawn down on December 22, 2005.

On June 16, 2006 the Company finalised all documentation for the Fortis Bank \$15 million finance facility. As at September 30, 2006 the Company had drawn down \$15 million of this facility, of which \$1 million had been repaid. The loan bears interest at the London Interbank Offer Rate (LIBOR) + 2.92% per annum and is payable in arrears, quarterly, over seven further quarters. The next payment is due in December, 2006.

12. Purchase consideration payable

Mutoshi acquisition

In January 2005, the Group announced the completion of the due diligence review of the Mutoshi Copper-Cobalt project subject to the legal documentation of the tenement transfers and the initial payments under the acquisition agreements were made.

At December 31, 2005 the remainder of the project acquisition purchase price due by either Anvil or its subsidiary company L'Entreprise Minière de Kolwezi s.p.r.l. (“Emiko”) was two further instalments of \$1.250 million when transfers of the tenements were completed; and \$1.250 million due six months thereafter with the balance of \$4.353 million due in 18 equal monthly payments beginning four months after the start of commercial production.

At September 30, 2006 this liability net of advances provided and reapportionment, is included in current liabilities at an amount of \$1.961 million (December 2005 - \$4.526 million), which includes a portion of the 18 equal monthly payments as well as the final \$1.250 million instalment which will be paid upon the transfer of tenements. The Group anticipates that the transfer will occur during the quarter ended December 31, 2006.

13. Non controlling interests

The Group holds an indirect 90% equity interest in Anvil Mining Congo s.a.r.l. (“Anvil Congo”) and, in addition, has administrative responsibility for the economic benefit of the remaining 10% equity interest, which is held in trust by the Group for the social, community and infrastructure development of the region of the Group’s activities at the Dikulushi mine. Wholly-owned subsidiaries of the Group are the trustees of the trusts that hold the remaining 10%, giving the Group greater control over how this 10% interest is administered.

The Group also holds an indirect 70% interest in Société Minière de Kolwezi s.p.r.l. (“SMK”) which is the owner and operator of the Kulu mine and an indirect 80% interest in AMCK Mining s.p.r.l. (“AMCK”) which is undertaking the development of the Kinsevere-Nambulwa tenements (collectively “Other subsidiaries”). On September 11, 2006, the Group completed its acquisition of an additional 10% interest in AMCK, increasing its holding from 70% to 80%. The purchase consideration for this transaction was \$4.0 million in common shares and \$10.0 million in cash for a total consideration of \$14.0 million. The preliminary allocation of fair value was \$20.0 million to exploration and evaluation expenditure and \$6.0 million to future income tax liability.

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

The movements in non controlling interests during the nine months ended September 30, 2006 are as follows:

	September 30	December 31
	2006	2005
(a) Anvil Congo – non controlling interests	\$	\$
Balance – beginning of period	1,661	613
Amounts disbursed on behalf of the Trusts during the period	(2,013)	(426)
Interests in net earnings of Anvil Congo	6,532	1,474
Balance – end of period	<u>6,180</u>	<u>1,661</u>
(b) Other subsidiaries – non controlling interests		
Balance – beginning of period	61	-
Interests in net earnings of SMK	2,402	61
Minority shareholding in EMIKO (12.5%) – owner of 80% interest in SMK	550	-
Minority shareholding in AMCK (20%)	46	-
Balance – end of period	<u>3,059</u>	<u>61</u>
Total non- controlling interests – end of period	<u>9,239</u>	<u>1,722</u>

14. Equity accounts

Common shares (a)	183,545	35,077
Contributed surplus (b)	2,505	6,674
Cumulative translation adjustments	559	559
	<u>186,609</u>	<u>42,310</u>

(a) Common shares**Authorized:**

The Company's authorized share capital consists of an unlimited number of Common shares without par value. The Company is also authorized to issue an unlimited number of Preferred shares in one or more series.

Issued:

	September 30		December 31	
	2006	2006	2005	2005
	Number of	Amount	Number of	Amount
	shares	\$	shares	\$
Balance – Beginning of period	29,086,847	35,077	25,624,229	23,302
Exercise of stock options (i)	85,000	184	57,499	129
Share issue (ii)	23,000,000	128,359	-	-
Conversion of special warrants to common shares (iii)	2,620,000	14,807	3,240,000	10,339
Conversion of ordinary warrants to common shares (i)	1,296,631	3,998		
Issue of shares for acquisitions (iv)	602,410	4,000	165,119	1,268
Transfer from contributed surplus (i)	-	5,137	-	83
Share issue expenses (v)	-	(8,017)	-	(44)
Balance – End of period	<u>56,690,888</u>	<u>183,545</u>	<u>29,086,847</u>	<u>35,077</u>

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

- (i) During the nine months ended September 30, 2006, employee stock option and warrant holders exercised their options/warrants over 1,381,631 common shares. The transfer from Contributed Surplus relates to the value ascribed to stock options/warrants exercised during the period
- (ii) On March 21, 2006, the Company completed the sale of 23,000,000 common shares at a price of C\$6.50 per share pursuant to an Underwriting Agreement with Paradigm Capital Inc., Haywood Securities Inc. and GMP Securities L.P.
- (iii) On December 16, 2004, the Company completed the sale of 5,240,000 special warrants at a price of C\$5.25 each through a brokered private placement. A total of 2,000,000 of the special warrants were immediately converted into 2,000,000 common shares and 999,952 share purchase warrants as allowed under the Australian Stock Exchange 15% placement capacity rule. The balance of 3,240,000 special warrants was convertible to common shares and one half of a share purchase warrant (1,620,048 warrants) for each special warrant on receipt of shareholders' approval at a meeting held on January 20, 2005. By June 19, 2006, all 2,620,000 share purchase warrants exercisable at C\$6.25 per share, with an original expiry date of December 16, 2007 and subsequently accelerated to June 5, 2006, were exercised.
- (iv) On January 12, 2005 the Company announced that the due diligence review of the Mutoshi Copper-Cobalt Project had been completed satisfactorily and that, as per the terms and conditions of the agreement announced on November 17, 2004, the Company issued 153,950 Common Shares at C\$6.02 per share as part of the consideration to acquire a 87.5% interest in L'Entreprise Minière de Kolwezi s.p.r.l. ("Emiko") which in turn has an 80% interest in Société Minière de Kolwezi s.p.r.l. ("SMK" - formerly Société de Traitements de Rejets de Mutoshi s.p.r.l.) which holds the Mutoshi Project giving the Group an effective interest in SMK of 70% .
- On January 25, 2005 the Company issued 11,169 Common Shares at C\$5.95 per share as part consideration of an additional 5% interest in the Duc Bo exploration project.
- On September 11, 2006, the Company issued 602,410 Common Shares at USD \$6.64 per share as part consideration of an additional 10% interest in AMCK Mining s.p.r.l, the holder of the mining rights for the Kinsevere-Nambulwa copper-cobalt deposits.
- (v) The total share issue expenses relating to the brokered private placement described in (i) above amounted to \$7.784 million.

(b) Contributed surplus

	September 30	December 31
	2006	2005
	\$	\$
Balance – Beginning of period	6,674	2,672
Fair value of warrants issued	-	3,645
Allocated share issue expenses	-	(190)
Employee stock based compensation recognised	968	630
Transfer to Common shares (refer (a) above and (c) below)	(5,137)	(83)
Balance – End of period	<u>2,505</u>	<u>6,674</u>

(c) Warrants

Warrants to purchase common shares in the capital of the Company (options in Anvil NL prior to the Scheme) during the period from December 2005 to September 31, 2006 that have been granted or cancelled were as follows:

Date	Details	Notes	No. of Warrants	Exercise Price	Fair Values \$
December 2005	Opening Balance		4,516,631		5,567
January 2006	Exercise of Warrants	(i)	(296,631)	A\$1.20	(116)
March 2006	Exercise of Warrants	(ii)	(500,000)	A\$3.00	(499)
March to June 2006	Exercise of Warrants	(iii)	(2,620,000)	C\$6.25	(3,925)
August 2006	Exercise of Warrants	(iv)	(500,000)	C\$5.25	(335)
September 2006	Closing Balance		<u>600,000</u>		<u>692</u>

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

Details of movements in warrants are as follows:

- (i) In January 2006, 296,631 Warrants issued through the conversion of Convertible Notes, issued by Anvil NL (prior to the Reorganization), in January 2004, were exercised by the Warrant holder.
- (ii) In March 2006, 500,000 Warrants issued in respect of the grant of financing facilities by RMBI were exercised.
- (iii) During the period March to June 2006, 2,620,000 Share Purchase Warrants issued as part of the Special Warrants issued in December 2004 were exercised.
- (iv) In August 2006, 500,000 warrants issued in respect of the grant of financing facilities by RMBI were exercised.

(d) Stock option plan

The Company has a Director and employee stock option plan, under which it may grant options to Directors and employees for up to 3,856,089 (December 2005 - 1,768,684) common shares.

The Black-Schöles model and the valuation parameters below are used to estimate the fair values of stock options granted.

The weighted averages used in determining the fair values of stock options granted under the stock option Plan are as follows:

	Australian Dollar based options	Canadian Dollar based options
Risk free interest rate:	5.28%	4.28%
Expected life:	36 months	68 months
Expected volatility:	67.8%	50.2%
Expected dividend yield:	0%	0%

During the nine months ended September 30, 2006, 75,000 stock options with an exercise price of C\$7.06 each, with a total fair value of \$0.217 million and 50,000 stock options with an exercise price of C\$3.80 each, with a total fair value of \$0.086 million were issued to non-executive Directors pursuant to the terms of the Plan. During the year ended December 31, 2005, 75,000 stock options with an exercise price of C\$3.80 each, with a total fair value of \$0.093 million were issued to non-executive Directors pursuant to the terms of the Plan and 24,999 stock options were exercised. During the year ended December 31, 2005, 150,001 stock options were forfeited.

During the nine months ended September 30, 2006, 633,000 stock options with an exercise price, ranging from C\$3.80 to C\$9.41 each, with a total fair value of \$1.706 million were issued to employees under the stock option plan and 85,000 employee stock options were exercised. During the year ended December 31, 2005, 435,000 stock options with an exercise price, ranging from C\$3.80 to C\$4.66 each, with a total fair value of \$0.627 million were issued to employees under the stock option plan and 32,500 employee stock options were exercised.

The fair value of stock options granted and expensed in the nine months ended September 30, 2006 amounted to \$0.968 million (nine months to September 30, 2005 – \$0.510 million). As at September 30, 2006, the aggregate un-expensed fair value of unvested stock options granted amounted to \$1.796 million (December 31, 2005 – \$1.436 million).

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**Outstanding stock options:**

	September 30, 2006		December 31, 2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Australian Dollar based options				
Outstanding at beginning of period	400,000	A\$2.10	432,500	A\$1.79
Granted under Plan	-	-	-	-
Exercised	(60,000)	A\$1.65	(32,500)	A\$1.50
Outstanding prior to Reorganization Reorganization ⁽¹⁾				
Outstanding at the end of period	340,000	A\$2.16	400,000	A\$2.10
Options vested and exercisable at the end of the period	320,000	A\$1.88	360,000	A\$1.60
Canadian Dollar based options⁽²⁾				
Outstanding at beginning of period	740,000	C\$4.16	510,000	C\$4.44
Granted under Plan	758,000	C\$6.17	510,000	C\$3.98
Exercised	(25,000)	C\$5.20	(24,999)	C\$4.27
Expired & forfeited	-	-	(255,001)	C\$4.25
Outstanding at the end of period	1,473,000	C\$5.18	740,000	C\$4.16
Options vested and exercisable at the end of the period	311,667	C\$4.19	98,330	C\$4.47

(1) The shares number is the entitlement number of common shares following the Reorganization.

(2) These stock options have been issued to the Directors and employees of the Company pursuant to the Stock Option Plan.

The following table summarizes information about stock options outstanding at September 30, 2006:

Range of exercise prices	Options outstanding			Options exercisable		
	Number outstanding at September 30, 2006	Weighted average of remaining contractual life	Weighted average exercise price	Number outstanding at September 30, 2006	Weighted average of remaining contractual life	Weighted average exercise price
A\$1.20-A\$2.60	280,000	19	A\$1.22	280,000	19	A\$1.25
A\$6.50	60,000	7	A\$6.50	40,000	7	A\$6.50
C\$3.80	605,000	56	C\$3.80	118,333	56	C\$3.80
C\$4.25-C\$4.66	335,000	50	C\$4.35	176,667	50	C\$4.32
C\$5.20-C\$5.60	105,000	51	C\$5.82	16,666	11	C\$5.60
C\$7.06	328,000	66	C\$7.06	-	-	-
C\$9.41	100,000	35	C\$9.41	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

15. Commitments

(a) Exploration Expenditure Commitments

In order to maintain the mining tenements in which the Anvil Group has interests, the Anvil Group is committed to meet prescribed conditions under which the tenements were granted. The Anvil Group's exploration expenditure commitment as at September 30, 2006 is \$0.090 million (December 31, 2005 - \$0.075 million).

No estimate has been given of commitments beyond one year as this is dependent upon the Directors' review of operations in the short to medium term. Commitments for all tenement expenditure can be terminated at any date by forfeiture, exemption, sale or assignment of the tenements.

(b) Dikulushi Mine

The outstanding capital commitments of the Anvil Group contracted for at September 30, 2006 with respect to Dikulushi were \$0.6 million (December 31, 2005 \$2.8 million).

(c) Kulu Mine

The outstanding capital commitments of the Anvil Group contracted for at September 30, 2006 with respect to Kulu were \$1.4 million (December 31, 2005 \$0.3 million). Under the Mutoshi acquisition agreement, SMK has an ongoing obligation to pay a net smelter royalty to Gecamines of 2% of metal sold from operations on the acquired mining properties. SMK also has a similar royalty obligation of 2% of net sales to the DRC Government.

(d) Kinsevere Project

The outstanding capital commitments of the Anvil Group contracted for at September 30, 2006 with respect to Kinsevere were \$4.5 million.

(e) Other Capital Commitments

All other outstanding capital commitments of the Anvil Group contracted for at September 30, 2006 were \$0.6 million.

(f) Central Bank of Congo

Anvil Mining Congo s.a.r.l. ("Anvil Congo") entered into an agreement with the Central Bank of Congo, under which Anvil Congo is permitted to deposit sales proceeds into bank accounts located outside the DRC. The agreement requires that Anvil Congo repatriate no less than 40% of the realized sales receipts, within certain time periods, into Anvil Congo's bank account located in the DRC. At September 30, 2006 the amount to be repatriated was \$9.9 million (December 31, 2005 - \$7.1 million). These funds are, once repatriated, available to Anvil Congo to meet obligations both within and outside the DRC.

16. Contingent liabilities

At September 30, 2006, the Office Congolaise de Controle (OCC) in the DRC claim of \$1.3 million for fees relating to import duty from a Group subsidiary, Anvil Mining Congo s.a.r.l (AMC), is still outstanding. The Group's potential liability for the amount of \$1.3 million is being contested as the claim opposes the application of the new mining code in the DRC.

At September 30, 2006, the government tax authority in the DRC, DGI, has assessed income taxes submitted on expatriate salaries for the period January 2004 to January 2006 against AMC. AMC's potential liability of \$1.1 million is being contested as the present DGI claim does not recognise the exemption granted to AMC under the AMC Mining Convention.

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**17. Segment information**

The Anvil Group operates primarily in the mining and mineral exploration industry in Central Africa and Southeast Asia.

The operations in DRC comprise the Dikulushi copper-silver mine, Kulu copper mine as well as exploration on tenements held in the DRC. The Group's Zambia operations comprise the infrastructure support to the Dikulushi mine and exploration tenements in Zambia. The Group's Australia and Canada segment carry all corporate activity costs.

All material assets comprising property, plant and equipment and associated inventories and other current assets relate primarily to the Dikulushi and Kulu mines. The total assets located by geographic areas are as follows:

Total assets - Geographical Reporting	September 30	December 31
	2006	2005
	\$	\$
Democratic Republic of Congo	173,304	76,952
Zambia	1,114	589
Vietnam	956	806
Philippines	346	151
Australia ⁽¹⁾	25,501	768
Canada ⁽¹⁾	109,098	8,274
	310,319	87,540

(1) These assets are physically held in the geographical region and relate mainly to the corporate and management activity.

The geographic distribution of the Group's external revenues, which is attributed to regions based on the location of the principal underlying asset, is as follows:

Revenues - Geographical Reporting	3 Months ended September 30		9 Months ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Democratic Republic of Congo	56,550	17,775	132,728	35,963

18. Earnings per share

Basic earnings per share	0.54	0.10	1.29	0.05
Diluted earnings per share	0.53	0.10	1.26	0.05
Weighted average number of ordinary shares outstanding - basic earnings per share	55,878,215	29,047,663	47,381,118	28,793,187
Weighted average number of ordinary shares outstanding - diluted earnings per share	56,755,852	29,689,010	48,501,698	29,568,333

(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

The reconciliation of basic and diluted earnings per share where relevant are as follows:

	Quarter ended September 30 2006		
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	30,156,600	55,878,215	0.54
Effect of dilutive securities:			
Options and warrants	-	877,637	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	30,156,600	56,755,852	0.53

	Nine months ended September 30 2006		
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	60,906,082	47,381,118	1.29
Effect of dilutive securities:			
Options and warrants	-	1,120,580	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	60,906,082	48,501,698	1.26

19. Supplementary cash flow information

	3 Months Ended September 30		9 Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Changes to non-cash working capital				
Accounts receivable	(15,634)	(2,872)	(40,437)	(4,610)
Inventories	(5,787)	625	(10,088)	(2,245)
Prepaid expenses and deposits	216	(90)	17	(302)
Deferred mining	1,499	(596)	4,078	(1,607)
Accounts payable and accrued liabilities	1,916	(743)	1,575	2,530
Tax provision	(146)	(23)	(75)	(45)
Other liabilities	(2,704)	(158)	(3,223)	(196)
	<u>(20,640)</u>	<u>(3,857)</u>	<u>(48,153)</u>	<u>(6,475)</u>
(b) Other information				
Interest and financing fees paid	(811)	(897)	(4,664)	(2,120)
Income tax paid	(75)	(24)	(75)	(63)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

20. Subsequent events

On November 9, 2006 the Company finalised the agreement for the acquisition of an additional 10% interest in the Mutoshi Copper-Cobalt Project located in the Kolwezi Region of the DRC. The additional interest is being acquired through the purchase of the remaining 12.5% interest in Emiko s.p.r.l. not held by Anvil. Emiko holds an 80% interest in the Mutoshi project through its investment in SMK s.p.r.l.. Completion of this acquisition will take Anvil's interest in the joint venture from 70% to 80%.

The cash consideration to be paid by Anvil is \$6.6 million after netting off costs relating to the development of the Kulu mine and in connection with the assumption by Anvil of responsibility for payment of an arbitration award settlement involving SMK and the Emiko shareholder, plus settling the final payments due under the original purchase agreement and payment of a share of the profits earned up to the date of settlement. The preliminary estimate of the value to be attributed to the additional 10% interest in Mutoshi is \$10.0 million.