

Anvil Mining Limited

Consolidated Financial Statements

As at and for the year ended December 31, 2005

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

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Anvil Mining Limited were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 3 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, the Company's independent auditors, conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) William S. Turner

(Signed) Craig R. Munro

President and Chief Executive Officer

Vice President Corporate and Finance

February 6, 2006

Auditors' Report to the Shareholders of Anvil Mining Limited

We have audited the consolidated balance sheets of Anvil Mining Limited as at December 31, 2005 and 2004 and June 30, 2004 and the consolidated statements of earnings, retained earnings and cash flows for the twelve months ended December 31, 2005 and June 30, 2004 and the six months ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and June 30, 2004 and the results of its operations and its cash flows for the financial periods then ended in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Ontario, Canada

February 6, 2006

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

Consolidated Balance Sheets

	Notes	December 31 2005 \$	December 31 2004 \$	June 30 2004 \$
ASSETS				
Current assets				
Cash and cash equivalents		7,945	4,559	7,170
Restricted cash	6	204	14,133	134
Accounts receivable		7,915	2,181	1,144
Inventories	7	7,353	5,514	2,228
Investments		-	-	55
Prepaid expenses and deposits		826	639	391
		<u>24,243</u>	<u>27,026</u>	<u>11,122</u>
Deferred financing fees	8	1,584	679	709
Deferred mining costs	9	4,078	2,617	1,975
Exploration and evaluation expenditure	10	27,578	4,727	2,194
Property, plant and equipment	11	30,057	21,509	16,022
		<u>87,540</u>	<u>56,558</u>	<u>32,022</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		7,958	4,640	4,235
Current income taxes		75	45	41
Other liabilities		490	500	195
Current portion of long term debt	12	5,500	6,625	3,300
Purchase consideration payable	13 (b)	4,526	-	-
		<u>18,549</u>	<u>11,810</u>	<u>7,771</u>
Long term debt	12	5,146	1,500	2,825
Purchase consideration payable	13 (b)	2,085	-	-
Future income tax liability		6,413	-	-
Asset retirement obligations	1 (n)	778	306	294
		<u>32,971</u>	<u>14,229</u>	<u>11,527</u>
Non controlling interest	14	1,722	613	637
Shareholders' equity				
Equity accounts	15	42,310	39,299	18,341
Retained earnings		10,537	3,030	2,154
Total Shareholders' equity		<u>52,847</u>	<u>42,329</u>	<u>20,495</u>
		<u>87,540</u>	<u>56,558</u>	<u>32,022</u>
Commitments for expenditure	16			
Contingent liabilities	17			
Subsequent events	24			

Approved by the Board of Directors

(signed)
William S Turner

(signed)
John W Sabine

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

	Notes	12 Months Ended December 31 2005 \$	6 Months Ended December 31 2004 \$	12 Months Ended June 30 2004 \$
Concentrate sales		61,822	15,867	29,081
Operating expenses		(37,149)	(10,487)	(16,658)
Amortization		(5,881)	(1,737)	(2,300)
Operating profit		18,792	3,643	10,123
Other income	4	100	382	1,408
General, administrative and marketing		(4,330)	(1,515)	(1,609)
Exploration expense		-	-	(518)
Foreign exchange gains/(losses)		(5)	70	(328)
Stock based compensation		(630)	(245)	(191)
Interest and financing fees	4	(4,868)	(1,270)	(2,154)
Earnings before income tax and non controlling interest		9,059	1,065	6,731
Income tax	5	(17)	-	(41)
Non controlling interest		(1,535)	(189)	(637)
Net Earnings		7,507	876	6,053
Retained earnings (deficit) at beginning of the period		3,030	2,154	(3,899)
Retained earnings at end of the period		10,537	3,030	2,154
Basic earnings per share (cents)	20	26.0	3.7	30.7
Diluted earnings per share (cents)	20	25.3	3.6	28.7

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

	Notes	12 Months Ended December 31 2005 \$	6 Months Ended December 31 2004 \$	12 Months Ended June 30 2004 \$
Cash flows from operating activities				
Net earnings for the period		7,507	876	6,053
Items not affecting cash				
Amortization		5,881	1,737	2,300
Exploration expenditure written off		-	-	94
Gain on disposal of investments		-	(363)	(1,374)
Loss on disposal of assets		4	-	-
Non controlling interest		1,535	189	637
Deferred financing fees – amortized		497	162	195
Unrealized foreign exchange (gains)/losses		(63)	(264)	7
Stock based compensation		630	245	191
Income tax expense		17	-	-
Changes in non-cash working capital	22	(6,137)	(4,491)	(3,476)
		9,871	(1,909)	4,627
Cash outflows from investing activities				
Payments for property, plant and equipment		(12,317)	(7,583)	(7,671)
Acquisition costs	13 (a)	(7,366)	-	-
Proceeds from sale of investments		-	424	1,633
Payments for exploration and evaluation expenditure		(3,802)	(2,533)	(752)
		(23,485)	(9,692)	(6,790)
Cash inflows from financing activities				
Proceeds from issue of shares (net of issue expenses)		550	20,712	6,558
Decrease/(increase) in restricted cash		13,929	(13,759)	-
Proceeds from borrowings		9,146	3,150	4,000
Repayment of borrowings		(6,625)	(1,150)	(2,036)
		17,000	8,953	8,522
Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of the period		4,559	7,170	645
Effects of exchange rate changes on cash held in foreign currencies		-	37	166
Cash and cash equivalents at end of the period		7,945	4,559	7,170
Non cash financing and investing activities				
	24			

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

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Anvil Mining Limited (the “Company”) was incorporated under the *Business Corporations Act* (Northwest Territories) on January 8, 2004 for the purpose of acquiring all of the issued and outstanding shares of Anvil Mining NL (“Anvil NL”) an Australian company listed on the Australian Stock Exchange, pursuant to a scheme of arrangement (“Scheme”) under Australian law. The Scheme was completed in June 2004. In conjunction with the Scheme, in Australia, the Company completed its initial public offering (“IPO”) on the Toronto Stock Exchange and also listed its shares as Chess Depository Interests on the Australian Stock Exchange in June 2004 (“Reorganization”).

The Company and its subsidiaries (the “Group” or “Anvil”) operate in one operating segment, namely the acquisition, exploration, development and mining of mineral properties. Its principal assets are a 90% interest in the Dikulushi copper-silver mine (the “Dikulushi mine”) situated in the Democratic Republic of Congo (“DRC”), a 70% interest in the Kulumaziba copper mine (the “Kulu mine”), a 70% interest in the Kinsevere-Nambulwa copper project (“Kinsevere”) and the associated Dikulushi, Mutoshi and Kinsevere-Nambulwa exploration tenements. Anvil also holds interests in other exploration properties in the DRC, Zambia and South East Asia.

Anvil’s cash flow and profitability are affected by the market price of copper and silver, operating costs and exploration and development activity costs. The recoverability of the amounts shown in the consolidated balance sheet for deferred exploration and mine properties is dependent upon the existence of economically recoverable reserves, confirmation of the Anvil’s interest in the underlying mining claims, and the political and economic conditions in the relevant African and South East Asian countries involved.

2. Change in fiscal year-end

During period to December 2004, the Company changed the year-end from June 30 to December 31. The financial information that is presented for the current financial period is a twelve month period ended December 31, 2005 and the comparative period is a six month period ended December 31, 2004. As required by National Instrument 51-102 Continuous Disclosure Obligations the comparative amounts at June 30, 2004 and for the twelve months ended June 30, 2004 are also disclosed.

3. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Summarized below are the significant accounting policies used in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company and their results for the period since the acquisition date. The effects of all transactions between entities in the consolidated group are eliminated in full.

b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Significant areas where management’s judgement is applied are asset and investment valuations, asset retirement obligations and estimates of ore reserves. Actual results may differ from those estimates.

c) Reporting currency

The functional currency of the Group is the United States Dollar and the functional currency used in the principal operations at the Dikulushi and Kulu mines and in Anvil’s other principal businesses is the United States Dollar (“US\$” or “US Dollar”). Accordingly, the Company has adopted the United States Dollar as its reporting currency.

d) Foreign currency translations

The Company employs the current rate method of translation for its self-sustaining operations. Under this method, all assets and liabilities are translated at the year-end rates and all revenue and expense items are translated at the average monthly exchange rates for recognition in income. Differences arising from these foreign currency restatements are recorded in shareholders' equity as a cumulative translation adjustment until they are realized by a reduction in the investment.

The Company employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the year-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized as income. Realized exchange gains and losses and currency translation adjustments are included in income.

e) Revenue recognition

Revenue from sales of copper-silver concentrate is recorded net of smelter treatment charges and deductions. Sales are recognized when shipments are delivered at the smelters and title passes to the customer.

f) Cash and cash equivalents

Cash and cash equivalents are comprised of highly liquid investments with maturity of three months or less at the date of original issue.

g) Receivables

All receivables are recognized at the amounts due for settlement no more than 60 days from the date of recognition. The collectibility of receivables is reviewed on an ongoing basis. Accounts, which are known to be uncollectible, are written off. A provision for doubtful accounts is raised where some doubt as to collection exists.

h) Inventories

Inventories of broken ore and concentrate are physically measured or estimated and valued at the lower of cost and net realizable value.

Cost represents weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost. Obsolete or damaged inventories are valued at net realizable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

i) Deferred financing fees

Costs incurred (including the fair value of shares and options granted) to obtain long-term debt or finance facilities are deferred and amortized over the respective terms of the underlying debt.

Interest and financing fees are recognized as expenses in the period in which they are incurred, except where they are included in the cost of qualifying assets. Interest and financing fees incurred in direct connection with financing a qualifying asset are included in the cost of the qualifying asset.

j) Deferred mining costs

Certain mining costs, principally those that relate to the stripping of waste and which relate to the future economically recoverable ore to be mined, have been capitalised. These costs are deferred or taken to the production cost as the case may be, so that each tonne of ore mined bears the average cost of waste removal per tonne of ore, as determined by the waste to ore ratio derived from the current pit plan. The waste to ore ratio and the remaining life of the mine are both regularly assessed by management to ensure the carrying value and the rate of deferral is appropriate.

k) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure incurred is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest, which is expensed in the year it is incurred.

Property acquisition costs relating to exploration properties and expenditures incurred on properties identified as having development potential are deferred as mine development costs on a project basis until the viability of the project is determined.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Evaluation expenditure for each area of interest/mineral resource is carried forward, but only to the extent to which its recovery out of revenue to be derived from the relevant area of interest/mineral resource, or from sale of that area of interest, is reasonably assured.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company's rights of tenure to that area of interest are current.

l) Property, plant and equipment

The cost of each item of buildings, fixed plant, mobile machinery and equipment is written off over its expected useful life. Either the units-of-production or straight-line method may be used. The unit-of-production basis results in an amortization charge proportional to the depletion of the recoverable mineral resources. Each item's economic life has due regard to both its own physical life limitations and to present assessment of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, fixed plant and mobile machinery and equipment, with annual reassessments for major items.

The expected useful lives are as follows:

- Mine buildings – the shorter of applicable mine life on units-of-production basis and 15 years
- Fixed plant – the shorter of applicable mine life on units-of-production basis and 15 years
- Mobile machinery and equipment – the shorter of applicable useful life and 7 years, depending on the nature of the asset

Major spares purchased specifically for particular plant are capitalized and amortized on the same basis as the plant to which they relate.

Total net carrying value of property, plant and equipment is reviewed regularly and, to the extent to which these values exceed their fair values that excess is fully provided against in the financial year in which this is determined.

m) Mine properties

Mine properties comprise the accumulation of all exploration, evaluation and development expenditure, incurred by or on behalf of the entity, in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are likely to be realized, otherwise such expenditure is classified as part of the cost of production.

Amortization of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its fair value, that excess in carrying value is either fully provided against or written off in the financial year in which this is determined.

n) Asset retirement obligations

Future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site have been recognized and recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate of 7.5% and an inflation factor of 2.5%. The liability is accreted over time through periodic charges to earnings. In addition the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the asset's useful life. Subsequent to the initial recognition of the asset retirement obligation and associated asset retirement cost any changes resulting from a revision to either timing or amount of estimated cash flows are prospectively reflected in the year those estimates change.

Although the ultimate amount to be incurred is uncertain, management has at December 31, 2005 revised the estimated liability and the asset retirement cost has been based on management's revision of the independent Environmental Impact Assessment, completed in April 2003, using a continuing expected life of mine of 5 years and total undiscounted amount of estimated cash flows of \$1.151 million. During the year ended December 31, 2005 the accretion expense in relation to the liability was \$0.022 million (six months to December 31, 2004 \$0.011 million).

o) Income tax

The Company accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of changes in tax rates is recognized in income in the period in which the change is applied.

p) Earnings per share

The Company follows the "treasury stock" method in calculating diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued, should "in the money" options be exercised and the proceeds used to repurchase common shares at the weighted average market price in the period.

q) Stock-based compensation

The Company recognizes the fair value of options granted as an expense against income and the corresponding value recorded in contributed surplus.

Stock options issued to persons other than employees are accounted for at fair value and deferred and amortized over the period over which the relevant service is provided. Where financing facilities are made available to Anvil but there is no term or the term does not exceed 12 months then the cost of stock based compensation is expensed in the period in which it is incurred.

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

4. Other income and interest and financing fees	12 Months Ended December 31 2005 \$	6 Months Ended December 31 2004 \$	12 Months Ended June 30 2004 \$
Gain on sale of Golden Star Resources Limited (“GSR”) shares	-	363	1,375
Interest received	100	19	26
Other	-	-	7
	<u>100</u>	<u>382</u>	<u>1,408</u>

Interest and financing fees

Financing fee (includes net smelter return – refer Note 12)	3,745	946	1,806
Interest	450	162	153
Amortization of deferred borrowing costs	497	162	195
Accretion on Purchase consideration payable	176	-	-
	<u>4,868</u>	<u>1,270</u>	<u>2,154</u>

12 Months Ended December 31 2005 \$	6 Months Ended December 31 2004 \$	12 Months Ended June 30 2004 \$
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5. Income tax

The income taxes shown in the consolidated statement of earnings differ from amounts calculated by applying the statutory rates to earnings before provision for income taxes due to the following:

Earnings before income tax and non controlling interest	<u>9,059</u>	<u>1,065</u>	<u>6,731</u>
Income taxes at Canadian statutory rates - 38% (2004 – 38%)	3,442	405	2,558
Difference in tax rates ¹	(5,244)	(719)	(2,493)
Non deductible expenses	138	(33)	28
Tax losses not recognized	1681	347	61
Recovery of prior year foreign tax losses	-	-	(113)
Taxation expense	<u>17</u>	<u>-</u>	<u>41</u>
Comprising:			
Current income taxes	17	-	41
Future income taxes	-	-	-

The Group has non-capital loss carry-forwards as at December 31, 2005 of \$8.500 million (December 31, 2004 - \$5.800 million, June 30, 2004 - \$ \$5.100 million) that may be available for tax purposes. These losses are primarily in Canada and Australia. The losses in Canada expire after ten years and in respect to the losses in Australia there is no specific expiry date. The use of these losses arising from operating losses and exploration and development expenditures are subject to certain restrictions.

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

A full valuation allowance has been recorded against the potential income tax benefits of these carry forward losses and deductible temporary differences, as realization thereof cannot at this time be considered more likely than not.

(1) Under the Mining Convention (“Convention”) granted by the DRC Government, the Dikulushi mine operations in the DRC currently enjoy a concessionary tax benefit of reduced income tax rates for the first fifteen years from the date of first commercial mine production, which commenced in October 2002. The tax concessionary rates based on the applicable DRC Professional income tax rate of 40% which was in effect when the Convention was granted are as follows:

<u>Period</u>	<u>% of Professional Tax Rate</u>	<u>Effective income tax rate</u>
First five years of production	0%	0%
Sixth through to tenth years of production	40%	16%
Eleventh through to fifteenth years of production	45%	18%
Thereafter	100%	30% ^(a)

(a) The Convention holder is entitled to adopt the more favourable effective fiscal regime, than that granted by the Convention, as and when enacted by subsequent changes in law.

The Kulu mine operates under the fiscal regime at the time the DRC Mining Code (“Code”) came into effect in June 2003. The DRC Professional income tax rate applicable to the Kulu mine operations is 30%.

	December 31 2005	December 31 2004	June 30 2004
	\$	\$	\$
6. Restricted cash			
Cash deposits held as security or on escrow	204	14,133	134

At December 31, 2005, cash deposits were held by the Company’s bankers against guarantees and trade credit facilities granted to the Company.

At December 31, 2004, the cash deposit of \$14.133 million related to the proceeds from issue of 3,240,000 special warrants (refer Note 15 (b)), was held in trust subject to shareholders’ approval for conversion of those special warrants into common shares and share purchase warrants at a meeting of shareholders which occurred on January 20, 2005.

At June 30, 2004, a deposit was pledged to secure an irrevocable letter of credit issued by the Company’s bankers in favour of a supplier. The letter of credit was drawn on by the supplier on November 1, 2004 on fulfilment of the terms of supply and delivery.

	December 31 2005	December 31 2004	June 30 2004
	\$	\$	\$
7. Inventories			
Raw materials and stores – at cost	3,634	3,787	1,128
Ore stockpiles – at cost	1,113	1,149	497
Concentrate in stockpiles and in transit – at cost	2,606	578	603
	<u>7,353</u>	<u>5,514</u>	<u>2,228</u>

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

	December 31 2005	December 31 2004	June 30 2004
	\$	\$	\$
8. Deferred financing fees			
Balance at beginning of period	679	709	125
Deferred fees paid and value of warrants and options granted (refer Note 15 (e))	1,402	132	843
Amortization	(497)	(162)	(259)
Balance at the end of period	<u>1,584</u>	<u>679</u>	<u>709</u>

	December 31 2005	December 31 2004	June 30 2004
	\$	\$	\$
9. Deferred mining costs			
Costs at the beginning of period	2,617	1,975	674
Waste stripping costs deferred during the period	2,243	642	1,301
Waste stripping costs amortized during the period	(782)	-	-
Costs at end of period	<u>4,078</u>	<u>2,617</u>	<u>1,975</u>

During the year ended December 31, 2005, the Company deferred \$2.243 million (six months period ended December 31, 2004 - \$0.642 million and twelve months to June 30, 2004 - \$1.301 million) for deferred stripping costs based on a revised open pit life of mine prospective strip ratio of 13.3:1 compared to the actual strip ratio for the year ended December 2005 of 17.1:1. (six months period to December 2004 - 11.8:1 and twelve months to June 30, 2004 - 11.4:1).

	December 31 2005	December 31 2004	December 31 2004
	\$	\$	\$
10. Exploration and evaluation expenditure			
Exploration and evaluation expenditure at beginning of period	4,727	2,194	622
Expenditure transferred to development properties	(2,329)	-	-
Fair value of exploration properties acquired	21,378	-	-
Expenditure incurred	3,802	2,533	1,658
Expenditure written off	-	-	(93)
Foreign exchange movement	-	-	7
Exploration and evaluation expenditure at end of period	<u>27,578</u>	<u>4,727</u>	<u>2,194</u>
Costs incurred on:			
Dikulushi mine and regional projects	2,928	2,187	1,646
Mutoshi projects	18,177	1,685	-
Kinsevere-Nambulwa projects	5,516	245	-
Philippines regional exploration projects	151	71	30
Duc Bo exploration project - Vietnam	806	539	518
	<u>27,578</u>	<u>4,727</u>	<u>2,194</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.

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

		December 31		
		2005		
		Cost	Accumulated depletion, amortization and writedown	Net book value
		\$	\$	\$
11. Property, plant and equipment				
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	
	<u>27,532</u>	<u>(10,050)</u>	<u>17,482</u>	
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	
	<u>10,892</u>	<u>(277)</u>	<u>10,615</u>	
Services⁽³⁾				
Land and buildings	39	(1)	38	
Plant and equipment	1,396	(41)	1,355	
Construction work in progress	211	-	211	
	<u>1,646</u>	<u>(42)</u>	<u>1,604</u>	
Corporate and other⁽⁴⁾				
	463	(107)	356	
Total	<u>40,533</u>	<u>(10,476)</u>	<u>30,057</u>	

		December 31		
		2004		
		Cost	Accumulated depletion, amortization and writedown	Net book value
		\$	\$	\$
Dikulushi⁽¹⁾				
Land and buildings	1,092	(239)	853	
Plant and equipment	17,921	(2,323)	15,598	
Mine property	6,243	(2,409)	3,834	
Construction work in progress	1,029	-	1,029	
	<u>26,285</u>	<u>(4,971)</u>	<u>21,314</u>	
Corporate and other⁽⁴⁾				
	207	(12)	195	
Total	<u>26,492</u>	<u>(4,983)</u>	<u>21,509</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 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 Services property, plant and equipment include all property, plant and equipment at Lubumbashi in the DRC or used in the drilling, logistics and administrative services operations in the DRC.

⁴ 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)

	June 30 2004		
	Cost	Accumulated depletion, amortization and writedown	Net book value
	\$	\$	\$
Dikulushi⁽¹⁾			
Land and buildings	891	(167)	724
Plant and equipment	5,356	(1,236)	4,120
Mine property	6,192	(1,779)	4,413
Construction work in progress	6,655	0	6,655
	19,094	(3,182)	15,912
Corporate and other⁽⁴⁾	190	(80)	110
Total	19,284	(3,262)	16,022

12. Long term debt facilities	December 31 2005	December 31 2004	June 30 2004
	\$	\$	\$
RMBI project financing	5,500	8,125	6,125
Deans Knight facility	5,146	-	-
Total long-term debt	10,646	8,125	6,125
Less: current portion	(5,500)	(6,625)	(3,300)
	5,146	1,500	2,825

The scheduled minimum repayments are as follows:

Financial year 2005	-	6,625	3,300
Financial year 2006	5,500	1,500	2,825
Financial year 2007	5,146	-	-
	10,646	8,125	6,125

RMB International (Dublin) Limited ("RMBI") a subsidiary of the Rand Merchant Bank Group provided the project financing facility to a subsidiary for the purpose of developing Stage I of the Dikulushi mine. The Stage I loan facility provided in 2002, was \$4.500 million and scheduled repayments commenced on December 31, 2002. In October 2003, RMBI increased the Stage I project financing facility by \$5.000 million for the subsidiary to undertake the Stage II expansion of the Dikulushi mine. In November 2004, RMBI further extended the facility by \$2.400 million to finance a replacement mining fleet for the Dikulushi mine. RMBI granted a further working capital facility extension of \$4.000 million in July 2005.

The RMBI loan is secured by a fixed and floating charge over the assets of the Group and a negative pledge by all entities owned by the Company. The loan bears interest at the London Interbank Offer Rate (LIBOR) + 2.5% per annum and is payable in arrears, quarterly. The effective interest rate for the year ended December 31, 2005 was 5.8% (six months ended December 31, 2004 – 4.3%, twelve months to June 30, 2004 – 3.9%).

In conjunction with the RMBI financing facility, the subsidiary granted a 6.25% net smelter return financing fee to RMBI. The net smelter financing fee is payable until the subsidiary has sold 65,000 tonnes of copper cathodes or equivalent from copper ore which is being mined from the Dikulushi project. At December 31, 2005, 40,000 tonnes of copper had been sold and in aggregate \$5.723 million of financing fees have been paid. The accrued unpaid net smelter return financing fee, included in accrued liabilities at December 31, 2005, amounted to \$1.548 million. This net smelter return financing fee obligation was extinguished on January 9, 2006 (refer Note 24).

In December 2005, Deans Knight Capital Management Ltd (Deans Knight) granted the Company a C\$6.000 million (US\$5.146 million) 18 month unsecured loan (maturing on June 22, 2007) which was fully drawn on December 22, 2005. The facility bears interest at 8% per annum until June 21, 2006 then 10% per annum until December 21, 2006 and thereafter 12% per annum until maturity. The facility can be prepaid at any time without penalty.

At December 31, 2005, the Group had an approved Fortis Bank financing facility of \$15.000 million which is subject to legal documentation and certain conditions precedent. The Fortis Bank facility will be used to repay the RMBI facility and complete the Kulu project development and settle the balance of the acquisition cost of the Mutoshi project.

13. (a) Acquisition

The Group finalized the acquisition of its 70% interest in SMK in January 2005 and in December 2005 its 70% interest in AMCK. These transactions have been accounted for using the purchase method as follows:

Purchase price:	
Cash paid	7,366
Shares issued	750
Purchase consideration payable	6,740
Total cost of acquisition	<u>14,856</u>
Assets acquired	
Current assets	19
Exploration and evaluation expenditure	<u>21,378</u>
	21,397
Liabilities assumed	
Current liabilities	53
Tax payable	75
Future tax income liability ⁽¹⁾	<u>6,413</u>
	6,541
Net assets acquired	<u>14,856</u>

- (1) The future tax liability assumed relates to the tax effect at 30% of the temporary difference arising on the acquisition fair valued exploration and evaluation expenditure which is expected to reverse upon subsequent amortization or disposal of this asset.

(b) 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.

The remainder of the project acquisition purchase price due in cash were as follows: \$1.250 million on July 7, 2005; \$1.250 million on January 7, 2006 with the balance of \$4.353 million due in 18 equal monthly payments beginning four months after the start of commercial production.

At December 31, 2005 this liability totalling \$6.411 million is included in the balance sheet at its net accreted fair value. The current liability amount of the purchase consideration payable is \$4.326 million which includes a portion of the 18 equal monthly payments as well as the \$1.250 million instalment which has not been settled, as the legal documentation regarding the tenement transfers has not been completed. The remaining equal monthly instalment payments totalling \$2.085 million is disclosed in non current liabilities.

Kinsevere acquisition

In November 2005, the Group announced the finalization of the 25 year Mining Lease Agreement of the mining rights over the Kinsevere-Nambulwa mining tenements where the Group has acquired an indirect 70% interest and the initial acquisition payment of \$2.1 million was made in December 2005.

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

At December 31, 2005 the outstanding conditional acquisition payments, included in current liabilities, total \$0.200 million, being \$0.100 million upon endorsement of the interest in the mining rights over the lease in respect of the Group's indirect interest in the mining tenements and \$0.100 million four months after commencement of commercial production.

14. Non controlling interest

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, economic 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 Societe Miniere Kolwezi s.p.r.l ("SMK") which is the owner and operator of the Kulu mine and an indirect 70% interest in AMCK Mining s.p.r.l ("AMCK") which is undertaking the development of the Kinsevere-Nambulwa tenements (collectively "Other subsidiaries").

The movements in non controlling interests during the year ended December 31, 2005 are as follows:

	December 31 2005	December 31 2004	June 30 2004
(a) Anvil Congo – non controlling interests.	\$	\$	\$
Balance – beginning of period	613	637	-
Amounts disbursed on behalf of the Trusts during the period	(426)	(213)	-
Interests in net earnings of Anvil Congo	1,474	189	637
Balance – end of period	<u>1,661</u>	<u>613</u>	<u>637</u>
	-	-	-
(b) Other subsidiaries – non controlling interests			
Acquisition interests in SMK and AMCK	-	-	-
Dividends	-	-	-
Interests in net earnings of SMK	61	-	-
Balance – end of period	<u>61</u>	<u>-</u>	<u>-</u>
Total non- controlling interests – end of period	<u>1,722</u>	<u>613</u>	<u>637</u>
15. Equity accounts	December 31 2005	December 31 2004	June 30 2004
	\$	\$	\$
Common shares (a)	35,077	23,302	16,800
Special warrants (b)	-	12,766	-
Contributed surplus (d)	6,674	2,672	982
Cumulative translation adjustments (f)	559	559	559
	<u>42,310</u>	<u>39,299</u>	<u>18,341</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.

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

Issued:

	December 2005		December 2004		June 2004	
	Number of shares	Amount \$	Number of shares	Amount \$	Number of shares	Amount \$
Balance – beginning of period	25,624,229	23,302	23,554,229	16,800	172,080,231	9,811
Conversion of convertible notes (i)	-	-	-	-	5,926,314	430
Exercise by option holders (ii)	-	-	-	-	26,645,987	2,106
Issue of shares to employee (iii)	-	-	-	-	180,000	28
Conversion of partly paid to fully paid shares (iv)	-	-	-	-	14,209,756	1,194
Balance prior to reorganization					219,042,288	13,569
Reorganization (v)					(219,042,288)	
Reorganization (v)					21,904,229	
Share issue (IPO) (vi)					1,650,000	5,147
Exercise of stock options (vii)	57,499	129	70,000	67	-	-
Conversion of special warrants to common shares (viii)	3,240,000	10,339	2,000,000	6,879	-	-
Issue of shares for acquisitions (ix)	165,119	1,268	-	-	-	-
Transfer from contributed surplus (vi)		83		53		-
Share issue expenses (x)		(44)		(497)		(1,197)
Loans to Directors (xi)		-		-		(719)
Balance – end of period	29,086,847	35,077	25,624,229	23,302	23,554,229	16,800

- (i) The conversion of convertible notes relates to a series of convertible notes held by First Quantum Minerals Limited – “FQM” which were convertible in one third tranches. In July 2003, Anvil NL issued 2,960,000 shares and 2,960,000 unlisted options, at an exercise price of A\$0.12, exercisable on or before November 25, 2004 to the convertible note holder upon conversion of one-third of the outstanding convertible notes having a face value of A\$0.296 million. In January, 2004, a further 2,966,314 shares and 2,966,314 unlisted options, exercise price of A\$0.12, exercisable on or before January 15, 2006 were issued to the convertible note holder upon conversion of the final one-third of the outstanding convertible notes having a face value of A\$0.297 million (refer Note 14 (e)).
- (ii) Anvil NL issued 26,645,987 shares at various dates during the year pursuant to the exercise by option holders of options (including 725,000 options held by employees) to purchase ordinary shares (of Anvil NL) at exercise prices of A\$0.10 and A\$0.12 per share.
- (iii) In March 2003, Anvil NL made a commitment to issue, at a date twelve months hence, 180,000 shares at A\$0.20 each to an employee under the terms of an employment contract. The market price at of Anvil NL shares the date of the commitment was Australian 13.5 cents each and in March 2004, the shares were issued.
- (iv) In September and October 2003, Anvil NL issued 5,200,000 fully paid up shares following a call made by the Company on 5,200,000 partly paid shares for the outstanding A\$0.12 in unpaid capital each. On March 15, 2004, Anvil NL issued 500,000 shares upon the receipt of the outstanding A\$0.12 each in unpaid capital. In June 2004, in accordance with shareholders’ approval of the loans to parties associated with Directors’ William Turner and Peter Bradford (as detailed in Note 19) and following the approval of the Scheme, 8,509,756 shares were issued by Anvil NL to holders of the remaining outstanding partly paid shares.
- (v) In accordance with the Scheme, which was formally approved by shareholders in a Special General Meeting on May 18, 2004, the Company issued 21,904,229 common shares to Anvil NL shareholders in exchange for their shares in Anvil NL.
- (vi) On June 2, 2004, the Company issued 1,650,000 common shares at C\$4.25 each in accordance with the Company’s IPO on the Toronto Stock Exchange.
- (vii) During the year ended December 31, 2005, Director and employee stock option holders exercised their options over 57,499 common shares (six months ended December 31, 2004 70,000 common shares). The transfer from Contributed Surplus relates to the value ascribed to stock options exercised during the period.
- (viii) 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 for each special warrant on receipt of shareholders’ approval at a meeting held on January 20, 2005 (refer (b) Special warrants below).
- (ix) 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

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Company issued 153,950 Common Shares at C\$6.02 per share as part of the consideration to acquire its 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 sprl ("SMK") (formerly known as Société de Traitements de Réjets de Mutoshi s.p.r.l.) which holds the Mutoshi Copper-Cobalt 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 for an additional 5% interest in the Duc Bo exploration project in Vietnam. These shares were subject to a hold period until May 26, 2005.

- (x) The share issue expenses relating to the IPO (\$1.197 million) and brokered private placement described in (viii) above (\$1.607 million) includes that portion of brokers fees associated with the IPO and issue of Special warrants. Of the total incurred in respect of the brokered private placement \$1.110 million was allocated to the respective Special warrants and warrants financial instruments on a proportional basis.
- (xi) The amounts receivable from Director related entities (for details refer Note 19), which relate to common shares issued under arrangements to facilitate the completion of the Scheme, are denominated in Australian Dollars.

(b) Special warrants

On January 20, 2005, the Company converted the outstanding 3,240,000 special warrants which were issued at a price of C\$5.25 each through a brokered private placement. The special warrants were converted into 3,240,000 common shares and 1,620,048 share purchase warrants. The share purchase warrants expire on December 16, 2007, and entitle the holder to purchase one Common share at a price of C\$6.25 per share at any time up to the expiry date. However, if the trading price of the Company's common shares exceeds C\$8.00 per share for a period of 20 consecutive days on either the TSX or ASX, then the Company will have the right to accelerate the expiry date of the share purchase warrants, on 30 days notice to the holders.

The estimated amounts allocated to the fair value of the Warrants which form part of the Special Warrants were valued using the Black-Schöles model.

The conversion of special warrants into common shares and warrants involved a transfer of \$10.339 million to common shares and \$2.427 million to the contributed surplus account. At December 31, 2005 the Company had no special warrants outstanding.

(c) Contributed surplus

	December 31 2005	December 31 2004	June 30 2004
	\$	\$	\$
Balance – Beginning of period	2,672	982	292
Fair value of warrants issued (refer (e) Warrants below)	3,645	1,615	499
Allocated share issue expenses	(190)	(117)	-
Employee stock based compensation recognised	630	245	191
Transfer to Common shares (refer (a) above)	(83)	(53)	-
Balance – End of period	6,674	2,672	982

(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 1,768,684 (December 2004 - 1,342,923) common shares.

The purpose of the Plan is to attract, retain and motivate Directors, officers, employees and other service providers by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and benefit from its growth. The stock options are non-assignable and may be granted for a term not exceeding six years.

Stock options may be granted under the Plan only to Directors, officers, employees and other service providers subject to the rules and regulations of applicable regulatory authorities and any Canadian or Australian stock exchange upon which the common shares may be listed or may trade from time to time. The number of common shares reserved for issue to any one person pursuant to the Plan may not exceed 5% of the issued and outstanding common shares at the date of such grant.

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

The exercise price of options issued may not be less than the fair market value of the common shares at the time the option is granted.

The Company's stock option plan provides for the automatic grant of an option to purchase 50,000 common shares to each person who becomes a non-employee Director, as of the date such person first becomes a non-employee Director, provided that, within the previous year, such person was not granted any other stock options by the Company. In addition, under the Plan, subject to regulatory approval, if required, each non-employee Director is automatically granted stock options to purchase 25,000 common shares as of the date of the first Board meeting after the end of each financial year. The Board may, at its discretion, grant additional options to non-employee Directors from time to time. All options granted to the non-employee Directors under the Plan vest as to one-third at the end of each of the first three years after grant and have a six-year term.

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%	4.73%
Expected life:	36 months	70 months
Expected volatility:	67.8%	58.8%
Expected dividend yield:	0%	0%

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. In the six months period to December 31, 2004, 100,000 stock options with an exercise price of C\$4.30 each and an estimated fair value of \$0.296 million were issued to the four non-executive Directors pursuant to the terms of the Plan.

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. During the year ended December 31, 2005, 105,000 employee stock options were forfeited. In the six months period to December 31, 2004, 210,000 stock options, with an estimated fair value of \$0.429 million, were granted to employees.

The fair value of stock options granted and expensed in the period ended December 31, 2005 amounted to \$0.630 million (six months to December 31, 2004 – \$0.245 million). As at December 31, 2005, the aggregate un-expensed fair value of unvested stock options granted amounted to \$1.436 million (December 31, 2004 – \$1.041 million).

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

Outstanding stock options:

	December 31, 2005		December 31, 2004		June 30, 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Australian Dollar based options						
Outstanding at beginning of period	432,500	A\$1.79	502,500	A\$1.93	4,700,000	A\$0.12
Granted under Plan	-	-	-	-	1,050,000	A\$0.45
Exercised	(32,500)	A\$1.50	(70,000)	A\$1.24	(725,000)	A\$0.12
Outstanding prior to Reorganization					5,025,000	A\$0.19
Reorganization ⁽¹⁾					502,500	A\$1.93
Outstanding at the end of period	400,000	A\$2.10	432,500	A\$1.79	502,500	A\$1.93
Options vested and exercisable at the end of the period	360,000	A\$1.60	372,500	A\$1.32	442,500	A\$1.31
Canadian Dollar based options⁽²⁾						
Outstanding at beginning of period	510,000	C\$4.44	200,000	C\$4.25	-	-
Granted under Plan	510,000	C\$3.98	310,000	C\$4.52	200,000	C\$4.25
Exercised	(24,999)	C\$4.27	-	-	-	-
Expired & forfeited	(255,001)	C\$4.25	-	-	-	-
Outstanding at the end of period	740,000	C\$4.16	510,000	C\$4.44	200,000	C\$4.25
Options vested and exercisable at the end of the period	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 December 31, 2005:

Range of exercise prices	Options outstanding		Weighted average exercise price	Options exercisable		
	Number outstanding at December 31, 2005	Weighted average of remaining contractual life		Number outstanding at December 31, 2005	Weighted average of remaining contractual life	Weighted average exercise price
A\$1.20-A\$2.60	340,000	25	A\$1.30	340,000	25	A\$1.30
A\$6.50	60,000	16	A\$6.50	20,000	16	A\$6.50
C\$3.80	355,000	65	C\$3.80	-	-	-
C\$4.25-C\$4.66	335,000	59	C\$4.35	81,664	59	C\$4.35
C\$5.20-C\$5.60	50,000	20	C\$5.40	16,666	20	C\$5.40

(e) Warrants

Warrants to purchase common shares in the capital of the Company (options in Anvil NL prior to the Scheme) during the period from June 2003 to December 2005 that have been granted or cancelled were as follows:

Date	Details	Notes	No. of Warrants	Exercise Price	Fair Values \$
June 2003	Opening Balance		22,960,987		116
	Issue of options	(i)	5,926,314	A\$0.12	
	Exercise of options	(ii)	(25,920,987)		
	Issue of options	(iii)	5,000,000	A\$0.30	499
			7,966,314		
June 2004	Reorganization	(iv)	(7,966,314)		
	Reorganization	(iv)	796,631		
June 2004	Opening Balance		796,631		615
December 2004	Conversion of Special Warrants	(v)	999,952	C\$6.25	1,615
	Allocated issue expenses				(117)
December 2004			1,796,583		2,113

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

Date	Details	Notes	No. of Warrants	Exercise Price	Fair Values \$
January 2005	Conversion of Special Warrants	(vi)	1,620,048	C\$6.25	2,617
	Allocated issue expenses				(190)
July 2005	Issue of Warrant	(vii)	500,000	C\$5.25	335
December 2005	Issue of Warrant	(viii)	600,000	C\$6.25	692
December 2005	Closing Balance		4,516,631		5,567

Details of movements in warrants (options) are as follows:

- (i) Refer Note 15 (a) (i) above.
- (ii) Refer Note 15 (a) (ii) above.
- (iii) In October 2003, 5,000,000 options exercisable at A\$0.30 exercisable on or before August 31, 2006 each were issued to RMBI as part of the project financing facility conditions for Stage II.
- (iv) As part of the Reorganization, the Company issued two warrants to replace convertible securities that Anvil NL had issued. The warrants have the same terms as the securities they replaced, adjusted as necessary to reflect the fact that they are issued by the Company and not Anvil NL. One of the warrants is in respect of 500,000 common shares, has an exercise price of A\$3.00 per share and expires August 31, 2006. The second warrant is in respect of 296,631 common shares, has an exercise price of A\$1.20 per share and expires January 15, 2006. These warrants are transferable by the holders thereof.
- (v) Refer Note 15 (b) Special warrants above
- (vi) On January 20, 2005, the remaining special warrants issued through the brokered private placement in December 2005 were converted into 1,620,048 warrants (refer Note 15 (b) Special warrants above).
- (vii) On July 7, 2005, the Company issued 500,000 warrants, to purchase 500,000 shares at an exercise price of C\$5.25 per share expiring on June 30, 2008, to RMBI as part of the working capital finance facility of \$4.0 million. The fair value of these warrants of \$0.335 million is accounted for as deferred borrowing costs associated with the additional working capital financing facility.
- (viii) On December 22, 2005, the Company issued 600,000 warrants, to purchase 600,000 shares at an exercise price of C\$6.25 per share expiring on December 22, 2007, to Deans Knight as part of the unsecured 18 month facility of C\$6.000 million. The fair value of these warrants of \$0.692 million is accounted for as deferred borrowing costs associated with the Deans Knight financing facility.

(f) Cumulative translation adjustments

	December 31 2005 \$	December 31 2004 \$	June 30 2004 \$
Balance at the beginning of the period	559	559	375
Net exchange differences on translation	-	-	184
Balance at the end of the period	559	559	559

Following the Reorganization, Anvil Mining Management NL (formerly Anvil Mining NL) became a wholly owned subsidiary and intermediate holding company without any independent financing or operating cash flows and is now dependent on the Company. Effective July 1, 2004, this subsidiary was considered to be a fully integrated operation rather than self sustaining. Had this change occurred with effect from July 1, 2003, the net earnings for the previous period to June 30, 2004 would have been increased by \$0.156 million.

16. Commitments

(a) Exploration Expenditure Commitments

In order to maintain the mining tenements in which the Company has interests, the Company is committed to meet prescribed conditions under which the tenements were granted. The Company's exploration expenditure commitment as at December 31, 2005 is \$0.075 million (December 2004 - \$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 Dikulushi mine contracted for at December 31, 2005 totalled \$2.800 million (December 31, 2004 \$0.525 million).

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

(c) Kulu mine

The outstanding capital commitments of the Group contracted for at December 31, 2005 was \$0.300 million. Under the Mutoshi acquisition agreement, SMK has an ongoing obligation to pay a mining royalty of 2% of sales of copper extracted from the acquired mining properties. SMK also has a similar royalty obligation of 2% of net sales to the DRC Government.

(d) Central Bank of Congo

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 December 31, 2005 the amount to be repatriated was \$7.1 million (December 2004 - \$0.613 million). These funds are, once repatriated, are available to the Company to meet obligations both within and outside the DRC.

17. Contingent liabilities

At December 31, 2005, a Group subsidiary, SMK, is in arbitration in the London Court of International Arbitration concerning a claim in relation to an alleged unperformed pre-acquisition "off-take agreement". In the unlikely event that the claim is successful the Group can enforce an indemnity that was given at the time of the acquisition.

18. Segment information

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

The Group's operations in DRC comprise the Dikulushi copper-silver mine, Kulu copper mine as well as exploration on tenements held in DRC. The Group's Zambia operations comprise the infrastructure support to the Dikulushi mine and exploration tenements in Zambia. The Group's operations in Vietnam and Philippines are mainly exploration projects. 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:

	December 31 2005	December 31 2004	June 30 2004
Total assets - geographical reporting	\$	\$	\$
Democratic Republic of Congo	76,952	35,550	24,509
Zambia	589	430	286
Ghana	-	-	55
Vietnam	806	539	518
Philippines	151	71	30
Australia ⁽¹⁾	768	1,664	2,673
Canada ⁽¹⁾	8,274	18,304	3,951
	<u>87,540</u>	<u>56,558</u>	<u>32,022</u>

(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:

	12 months ended December 31 2005	6 months ended December 31 2004	12 months ended June 30 2004
Revenues - geographical reporting	\$	\$	\$
Democratic Republic of Congo	61,822	15,867	29,081

The total external revenue from operating activities and the related external trade receivables balances are due from two customers pursuant to "off-take sales agreements".

19. Financial instruments**Credit risk exposure**

Credit risk relates to the risk that the counter-party will default on its contractual obligations resulting in financial loss to the Group. The credit risk on financial assets of the Group, which have been recognized on the balance sheet, is generally the carrying value net of any provision for doubtful debts. The Group has adopted a policy of dealing only with credit worthy counterparties and where appropriate obtaining sufficient collateral or other security, as a means of mitigating the risk of financial loss from any defaults.

Interest rate risk

Certain of the Group's long-term debt is subject to interest rate risk.

20. Related party information

The loans by the Company to the Director associated entities, are interest free and repayable in Australian Dollars, and were implemented in order that each of the partly paid shares held by each of Mr. Turner and Mr. Bradford in the capital of Anvil NL could be paid in full prior to the implementation of the Reorganization such that on completion of the Reorganization, there would be no partly paid shares in the capital of Anvil NL remaining thereafter. These loans are secured by way of a pledge agreement pursuant to which each of the companies associated with Mr. Turner and Mr. Bradford has pledged their respective shares to the Company as security. The voting rights attached to such Common shares are restricted such that only 8/20th of the aggregate number of such shares may be voted until such time as the loans relating to such shares are fully paid. The loans were made to preserve the pre-existing rights of the companies associated with Mr. Turner and Mr. Bradford and to enable the Reorganization to proceed.

- (1) Peter J.L. Bradford (through an associated company Bayfalls Pty Ltd) was indebted to the Company for an aggregate amount of A\$0.480 million (\$0.374 million) in conjunction with the Reorganization. In June 2005 in accordance with the terms of the loan as amended, Mr Bradford repaid the entire loan to the Company.
- (2) William S. Turner (through an associated company Wintercoast Pty Ltd) is indebted to the Company for an aggregate amount of A\$0.541 million (\$0.397million). In respect of the loan to Mr. Turner, A\$0.132 million (\$0.097 million) of the loan is payable on the earlier of demand made by the Company and twelve months after the date the loan was advanced (due date June 7, 2005). In June 2005, Mr Turner, in accordance with the terms of the loan as amended, repaid this portion of the loan to the Company. In respect of the remaining A\$0.409 million (\$0.300 million), such amount will be due and payable on the earlier of (i) 28 days from the date Mr. Turner ceases to be an executive director of the Company and (ii) on November 21, 2005 in respect of A\$0.216 million (\$0.158 million) and June 27, 2006 in respect of A\$0.193 million (\$0.142 million). Repayment of the loan due in November 2005 was extended at a meeting of the Board of Directors as the Company was involved in negotiations for finance facilities which prevented any disposals of shares by insiders. The market value of the shares associated with the loan as at December 31, 2005, was C\$2.661 million (December 31, 2004 - C\$2.282 million).

21. Earnings per share

	12 months ended December 31 2005	6 months ended December 31 2004	12 months ended June 30 2004
Basic earnings per share (cents per share)	26.0	3.7	30.7
Diluted earnings per share (cents per share)	25.3	3.6	28.7
Weighted average number of ordinary shares outstanding - basic earnings per share	28,861,658	23,733,305	19,746,568
Weighted average number of ordinary shares outstanding - diluted earnings per share	29,647,319	24,719,336	21,121,685

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

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

			12 months ended December 31 2005
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	7,507	28,861,658	26.0
Effect of dilutive securities			
Options		785,661	
Diluted earnings per share			
Income available to shareholders and assumed conversions	7,507	29,647,319	25.3
			6 months ended December 31 2004
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	876	23,733,305	3.7
Effect of dilutive securities			
Options		986,031	
Diluted earnings per share			
Income available to shareholders and assumed conversions	876	24,719,336	3.6
			12 months ended June 30 2004
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	6,053	19,746,568	30.7
Effect of dilutive securities			
Options		986,031	
Convertible note	3	284,108	
Diluted earnings per share			
Income available to shareholders and assumed conversions	6,056	21,121,685	28.7

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

23. Supplementary cash flow information

	12 months ended December 31 2005 \$	6 months ended December 31 2004 \$	12 months ended June 30 2004 \$
(a) Changes to non-cash working capital			
Accounts receivable	(5,734)	(1,250)	(358)
Inventories	(1,839)	(3,286)	(1,153)
Prepaid expenses and deposits	(187)	(243)	(113)
Deferred mining	(1,461)	(642)	(1,301)
Accounts payable and accrued liabilities	3,149	483	(777)
Tax provision	(45)	-	41
Other liabilities	(20)	313	148
Restricted cash movements	-	134	37
	(6,137)	(4,491)	(3,476)
(b) Other information			
Interest and financing fees paid	(3,355)	(1,089)	(1,804)

24. Non-cash financing and investing activities

On July 24, 2003, the convertible note holder converted one-third of the total issued value of the convertible notes having a face value of A\$0.296 million and 2,960,000 fully paid ordinary shares and 2,960,000 options exercisable at A\$0.12 any time before July 23, 2005 were issued by Anvil NL to the convertible note holder.

On January 16, 2004, the convertible note holder converted the balance one-third of the total issued value of the convertible notes having a face value of A\$0.297 million and 2,966,314 fully paid ordinary shares and 2,966,314 options exercisable at A\$0.12 any time before January 15, 2006 were issued by Anvil NL to the convertible note holder.

Prior to the Reorganization, Anvil NL issued options to acquire shares in Anvil NL for no cash consideration to several parties for services provided. Details of these issuances and their fair value where relevant are shown in Note 15 (e).

In February, 2004 RMBI, deducted \$0.250 million for fees payable to RMB Resources Limited in relation to the RMBI project financing facility for Stage II expansion draw down amount of \$1.0 million (refer Note 12).

In November, 2004 RMBI, deducted \$0.132 million, for fees payable to RMB Resources Limited in relation to the replacement mining fleet financing facility draw down (refer Note 12).

In July, 2005 RMBI, deducted \$0.050 million for fees payable to RMB Resources Limited in relation to the working capital facility draw down amount of \$4.000 million (refer Note 12). Additionally, 500,000 share purchase warrants at a fair value of \$0.335 million were issued for no consideration to RMBI (refer Note 15 (e)).

In December 2005, as part of the Deans Knight financing facility arrangement, the Company issued 600,000 share purchase warrants at a fair value of \$0.692 million to Deans Knight for no consideration (refer Note 15 (e)).

25. Subsequent events

On January 9, 2006 Anvil Congo exercised the buy back option under the RMBI 6.25% net smelter return financing fee agreement for \$2.000 million thereby extinguishing any remaining net smelter return fee obligation beyond that date. This amount will be treated as an expense in the first quarter of 2006.

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

25. Deed of cross guarantee

Information in relation to the Deed of cross guarantee is presented for the purposes of the Company's reporting obligations in Australia which requires a disclosing entity, which is a registered foreign holding company to disclose condensed statements of earnings and balance sheets of both "the Closed Group" and "the Extended Closed Group" as defined by the Australian Securities and Investments Commission ("ASIC") Class Order 98/1418.

On June 30, 2004, Anvil Mining Limited, Anvil Mining Management NL, Central African Holdings Pty Ltd, Congo Development Pty Ltd, Anvil Mining No 2 Pty Ltd, Anvil Mining No 3 Pty Ltd, Leda Mining Pty Ltd and Bannon Mining Pty Ltd (together the "Closed Group") entered into a Deed of Cross Guarantee and in August 2004 a Deed of Variation (together the "Deeds"), under which each company guarantees the liabilities of all other companies that are party to the Deeds. A benefit arising from the Deeds is to relieve eligible entities from the requirements to prepare audited financial reports under the Australian Corporations Act 2001 and ASIC accounting and audit relief Orders.

The following entities form part of the consolidated entity but are not members of the Closed Group:

Anvil Mining Congo sarl, Anvil Mining Investments Limited, L'Entreprise Miniere de Kolwezi sprl, Societe Miniere de Kolwezi sprl, AMCK Mining sprl, Anvil Mining Holdings Ltd, Anvil Mining Zambia Ltd, Anvil International Holdings Limited, Anvil International Finance Limited and Anvil Mining Investment Company South Africa (Pty) Ltd (together the "Extended Closed Group").

Set out below are the condensed statements of earnings and balance sheets for the period ended December 31, 2005 and December 31, 2004 of the Closed Group and the Extended Closed Group:

Condensed statement of earnings	Closed Group		Extended Closed Group ⁽¹⁾	
	12 months Ended December 31 2005 \$	6 months Ended December 31 2004 \$	12 months Ended December 31 2005 \$	6 months Ended December 31 2004 \$
Copper-silver concentrate sales	-	-	61,822	15,867
Cost of operations	-	-	(37,149)	(10,487)
Amortization	-	-	(5,881)	(1,737)
Operating profit	-	-	18,792	3,643
Other income ⁽²⁾	974	694	100	382
General, administrative and marketing	(4,322)	(1,515)	(4,330)	(1,515)
Exploration expense	-	-	-	-
Foreign exchange gains/(losses)	(277)	420	(5)	70
Stock based compensation	(630)	(245)	(630)	(245)
Amortization	(97)	(23)	-	-
Interest and financing fees	(206)	(70)	(4,868)	(1,270)
Earnings (loss) before income tax and non controlling interests	(4,558)	(739)	9,059	1,065
Income tax	(17)	-	(17)	-
Non controlling interests	-	-	(1,535)	(189)
Net earnings (loss)	(4,575)	(739)	7,507	876
Retained earnings (deficit) at beginning of the period	(4,108)	(3,369)	3,030	2,154
Retained earnings (loss) at end of the period	(8,683)	(4,108)	10,537	3,030

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

Condensed balance sheets	Closed Group		Extended Closed Group ⁽¹⁾	
	December 31 2005 \$	December 31 2004 \$	December 31 2005 \$	December 31 2004 \$
ASSETS				
Current assets				
Cash and cash equivalents	6,302	3,986	7,945	4,559
Restricted cash	204	14,133	204	14,133
Accounts receivable	7,915	575	7,915	2,181
Inventories	-	334	7,353	5,514
Prepaid expenses and deposits	104	100	826	639
	14,525	19,128	24,243	27,026
Receivables from subsidiaries⁽³⁾	24,083	14,418	-	-
Deferred financing fees	1,083	373	1,584	679
Deferred mining costs	-	-	4,078	2,617
Exploration and evaluation expenditure	1,010	2,546	27,578	4,727
Property, plant and equipment	356	699	30,057	21,509
	41,057	37,164	87,540	56,558
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	2,128	1,825	7,958	4,640
Current income taxes	-	45	75	45
Other liabilities	156	103	490	500
Current portion of long term debt	-	-	5,500	6,625
Purchase consideration payable	-	-	4,526	-
	2,284	1,973	18,549	11,810
Long term debt	5,146	-	5,146	1,500
Purchase consideration payable	-	-	2,085	-
Asset retirement obligations	-	-	778	306
Future income tax liability	-	-	6,413	-
	5,146	1,973	32,971	13,616
Non controlling interest	-	--	1,722	613
Shareholders' equity				
Equity accounts	42,310	39,299	42,310	39,299
Retained earnings (deficit)	(8,683)	(4,108)	10,537	3,030
Total shareholders' equity	33,627	35,191	52,847	42,329
	41,057	37,164	87,540	56,558

- (1) The members of the consolidated entity comprising the Extended Closed Group are the same as those entities, which comprise the consolidated entity, as Anvil Mining Limited is the ultimate parent entity.
- (2) Other income of the Closed Group includes inter-company charges between the Closed Group and entities outside the Closed Group amounting to \$0.890 million for the year ended December 31, 2005 (six months to December 2004: \$0.312 million).
- (3) These long-term receivables relate to receivables from controlled entities, which are outside the Closed Group, as is listed above.