

Anvil Mining Limited

Consolidated Financial Statements

Three months (Second Quarter) ended June 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	June 30 2006 \$	December 31 2005 \$
ASSETS			
Current assets			
Cash and cash equivalents		33,884	7,945
Restricted cash	3	211	204
Accounts receivable	4	32,718	7,915
Inventories	5	11,654	7,353
Investments	6	99,415	-
Prepaid expenses and deposits		1,007	826
		178,889	24,243
Deferred financing fees	7	45	1,584
Deferred mining costs	8	1,499	4,078
Exploration and evaluation expenditure	9	29,899	27,578
Property, plant and equipment	10	35,122	30,057
		245,454	87,540
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		7,617	7,958
Current income taxes		834	75
Other liabilities		769	490
Current portion of long term debt	11	-	5,500
Purchase consideration payable	12	2,289	4,526
		11,509	18,549
Long term debt	11	-	5,146
Purchase consideration payable	12	-	2,085
Future income tax liability		6,413	6,413
Asset retirement obligations		789	778
		18,711	32,971
Non controlling interest	13	5,967	1,722
Shareholders' equity			
Equity accounts	14	179,489	42,310
Retained earnings		41,287	10,537
Total shareholders' equity		220,776	52,847
		245,454	87,540
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 June 30		6 Months Ended June 30	
		2006 \$	2005 \$	2006 \$	2005 \$
Concentrate sales		42,965	10,493	76,178	18,188
Operating expenses		(13,479)	(6,684)	(29,312)	(13,208)
Amortization		(1,817)	(1,300)	(3,624)	(2,693)
Operating profit		27,669	2,509	43,242	2,287
Other income	2	1,396	9	1,765	59
General, administrative and marketing		(2,123)	(1,137)	(3,805)	(1,925)
Foreign exchange gains/(losses)		174	(2)	(271)	(12)
Stock based compensation		(355)	(177)	(598)	(284)
Interest and financing fees	2	(193)	(804)	(4,048)	(1,475)
Earnings before income tax and non controlling interest		26,568	398	36,285	(1,350)
Income tax		(834)	(23)	(830)	(17)
Non controlling interest		(3,235)	(173)	(4,705)	(97)
Net Earnings/ (loss)		22,499	202	30,750	(1,464)
Retained earnings at beginning of the period		18,788	1,364	10,537	3,030
Retained earnings at end of the period		41,287	1,566	41,287	1,566
Basic earnings (loss) per share	18	0.42	0.01	0.71	(0.05)
Diluted earnings (loss) per share	18	0.41	0.01	0.69	(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)

	Notes	3 Months Ended June 30		6 Months Ended June 30	
		2006 \$	2005 \$	2006 \$	2005 \$
Cash flows from operating activities					
Net earnings (loss) for the period		22,499	202	30,750	(1,464)
Items not affecting cash					
Amortization		1,817	1,300	3,624	2,693
Tax expense		834	23	830	17
Loss on disposal of assets		-	4	-	4
Non controlling interest		3,235	173	4,705	97
Borrowing costs - amortized		-	90	1,553	179
Unrealized foreign exchange (gains)/losses		(36)	15	(2)	(99)
Stock based compensation		355	177	598	284
Changes in non-cash working capital	19	(14,861)	703	(27,513)	(2,618)
		13,843	2,687	14,545	(907)
Cash flows from investing activities					
Payments for property, plant and equipment		(4,501)	(2,239)	(7,100)	(3,966)
Proceeds from sale of assets		73	-	73	-
Payments for exploration and evaluation expenditure		(2,688)	(3,171)	(4,009)	(9,353)
Payments for deferred acquisitions costs		(328)	-	(4,078)	-
Payments for investments		(109,060)	-	(109,060)	-
Proceeds of principal repayments from investments		9,095	-	9,095	-
Interest and coupon payments received on investments		551	-	551	-
		(106,858)	(5,410)	(114,528)	(13,319)
Cash flows from financing activities					
Proceeds from issue of shares (net of issue expenses)		14,639	455	136,575	434
Movement in restricted cash		-	-	-	14,133
Repayment of borrowings		-	(1,975)	(10,652)	(3,350)
		14,639	(1,520)	125,923	11,217
Net increase/ (decrease) in cash and cash equivalents					
		(78,376)	(4,243)	25,940	(3,009)
Cash and cash equivalents at beginning of the period		112,261	5,795	7,945	4,559
Effects of exchange rate changes on cash held in foreign currencies		(1)	(2)	(1)	-
Cash and cash equivalents at end of the period		33,884	1,550	33,884	1,550

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 June 30		6 Months ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
2. Other Income				
Interest received	1,356	9	1,563	59
Drilling services	40	-	202	-
	<u>1,396</u>	<u>9</u>	<u>1,765</u>	<u>59</u>
Interest and financing fees				
Financing fee (includes net smelter return – Note 11)	-	619	2,097	1,100
Interest	193	95	398	196
Amortization of deferred borrowing costs	-	90	1,553	179
	<u>193</u>	<u>804</u>	<u>4,048</u>	<u>1,475</u>

	June 30	December 31
	2006	2005
	\$	\$
3. Restricted cash		
Cash deposits held as security	<u>211</u>	<u>204</u>

At June 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)

	June 30 2006	December 31 2005
	\$	\$
4. Accounts Receivable		
Trade receivables	28,453	6,964
Other receivables	4,265	951
	<u>32,718</u>	<u>7,915</u>
5. Inventories		
Raw materials and stores – at cost	4,607	3,634
Ore stockpiles – at lower of cost or net realizable value	975	1,113
Concentrate in stockpiles and in transit – at cost	6,072	2,606
	<u>11,654</u>	<u>7,353</u>
6. Investments		
Investments at cost (a)	<u>99,415</u>	-
Investments at market value	<u>99,453</u>	-
(a) As a result of the substantial cash inflow achieved following the issue of 23,000,000 common shares on March 21, 2006, the Group holds a portfolio of investments. These investments are in asset backed securities with low risk profiles.		
7. Deferred financing fees		
Balance at beginning of period	1,584	679
Deferred fees paid and value of options granted	14	1,402
Amortization	(1,553)	(497)
Balance at end of period	<u>45</u>	<u>1,584</u>
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	(2,579)	(782)
Costs at end of period	<u>1,499</u>	<u>4,078</u>

During the six month period ended June 30, 2006, the Group deferred nil (six month period ended June 30, 2005 - \$1.011 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 six month period ended June 30, 2006 of 9.5:1 (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)

	June 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	-	21,378
Expenditure incurred	4,020	3,802
Expenditure written off	-	-
Exploration and evaluation expenditure at end of period	29,899	27,578
Costs incurred on:		
Dikulushi mine and regional projects	3,714	2,928
Mutoshi projects	17,075	18,177
Kinsevere-Nambulwa projects	7,977	5,516
Philippines regional exploration project	198	151
Duc Bo exploration project – Vietnam	935	806
	29,899	27,578

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.

10. Property, plant and equipment	June 30 2006		
	Cost	Accumulated depletion, amortization and write-down	Net book value
	\$	\$	\$
Dikulushi⁽¹⁾			
Land and buildings	2,446	(871)	1,575
Plant and equipment	19,608	(6,908)	12,700
Mine property	6,650	(4,680)	1,970
Construction work in progress	3,000	-	3,000
	31,704	(12,459)	19,245
Kulu⁽²⁾			
Land and buildings	68	(4)	64
Plant and equipment	3,538	(633)	2,905
Mine property	10,459	(547)	9,912
Construction work in progress	42	-	42
	14,107	(1,184)	12,923
Services⁽³⁾			
Land and buildings	530	(3)	527
Plant and equipment	1,907	(281)	1,626
Construction work in progress	533	-	533
	2,970	(284)	2,686
Corporate and other⁽⁴⁾			
	440	(172)	268
Total	49,221	(14,099)	35,122

⁽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 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.

⁽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)

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
	<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>

11. Long term debt facilities	June 30 2006	December 31 2005
	\$	\$
RMBI project financing	-	5,500
Deans Knight facility	-	5,146
Total long-term debt	<u>-</u>	<u>10,646</u>
Less: current portion	-	(5,500)
	<u>-</u>	<u>5,146</u>

The scheduled minimum repayments are as follows:

Financial year 2006	-	5,500
Financial year 2007	-	5,146
	<u>-</u>	<u>10,646</u>

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 June 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 with draw down availability on June 30, 2006. The Company had commenced discussions on obtaining this as a corporate facility to replace the project financing facility in December 2005, and notwithstanding the bought deal financing in March, decided to proceed with establishing the Fortis Bank Facility in order to have a debt facility that could be expanded as the need arises with future anticipated developments.

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 Emiko s.p.r.l. 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 June 30, 2006 this liability net of advances provided and reapportionment, is included in current liabilities at an amount of \$2.289 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 is now due on September 14, 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 70% interest in AMCK Mining s.p.r.l. (“AMCK”) which is undertaking the development of the Kinsevere-Nambulwa tenements (collectively “Other subsidiaries”).

(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 six months ended June 30, 2006 are as follows:

	June 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	(1,010)	(426)
Interests in net earnings of Anvil Congo	3,582	1,474
Balance – end of period	<u>4,233</u>	<u>1,661</u>
(b) Other subsidiaries – non controlling interests		
Balance – beginning of period	61	-
Interests in net earnings of SMK	1,123	61
Minority shareholding in EMIKO (12.5%)	550	-
Balance – end of period	<u>1,734</u>	<u>61</u>
Total non- controlling interests – end of period	<u><u>5,967</u></u>	<u><u>1,722</u></u>

14. Equity accounts

Common shares (a)	176,198	35,077
Contributed surplus (b)	2,732	6,674
Cumulative translation adjustments	559	559
	<u>179,489</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:

		June 30		December 31	
		2006		2005	
		Number of	Amount	Number of	
		shares	\$	shares	
				Amount	
				\$	
Balance – Beginning of period		29,086,847	35,077	25,624,229	23,302
Exercise of stock options	(i)	20,000	24	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)	796,631	1,338		
Issue of shares for acquisitions	(iv)	-		165,119	1,268
Transfer from contributed surplus	(i)	-	4,540	-	83
Share issue expenses	(v)	-	(7,946)	-	(44)
Balance – End of period		<u>55,523,478</u>	<u>176,198</u>	<u>29,086,847</u>	<u>35,077</u>

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

- (i) During the six months ended June 30, 2006, employee stock option and warrant holders exercised their options/warrants over 816,631 common shares. The transfer from Contributed Surplus relates to the value ascribed to stock options/warrants in 2005, 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 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.
- (v) The total share issue expenses relating to the brokered private placement described in (i) above amounted to \$7.784 million.

(b) Contributed surplus

	June 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	598	630
Transfer to Common shares (refer (a) above and (c) below)	(4,540)	(83)
Balance – End of period	<u>2,732</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 June 30, 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)	<u>(2,620,000)</u>	C\$6.25	<u>(3,925)</u>
June 2006	Closing Balance		<u>1,100,000</u>		<u>1,027</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.

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 June 30, 2006 is \$0.122 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 June 30, 2006 were \$1.1 million (December 31, 2005 \$2.8 million).

(c) Kulu Mine

The outstanding capital commitments of the Anvil Group contracted for at June 30, 2006 were \$0.4 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) 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 June 30, 2006 the amount to be repatriated was \$9.1 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 June 30, 2006, 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 event that the claim is successful the Group can enforce an indemnity that was given at the time of the acquisition. An estimate of any potential loss relating to the claim cannot be made as at June 30, 2006.

At June 30, 2006, the Office Congolaise de Controle (OCC) in the DRC has claimed \$1.3 million from fees relating to import duty from a Group subsidiary, Anvil Mining Congo s.a.r.l (AMC). The Group's potential liability for the amount of \$1.3 million is being challenged with the OCC.

At June 30, 2006, the government tax authority in the DRC, Sesomo, has reassessed income taxes submitted on expatriate salaries for the period January 2004 to January 2006 against AMC. AMC's potential liability of a further \$1.1 million is being challenged with Sesomo.

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	June 30	December 31
	2006	2005
	\$	\$
Democratic Republic of Congo	119,018	76,952
Zambia	994	589
Vietnam	936	806
Philippines	198	151
Australia ⁽¹⁾	24,851	768
Canada ⁽¹⁾	99,457	8,274
	245,454	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 June 30		6 Months ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Democratic Republic of Congo	42,965	10,493	76,178	18,188

18. Earnings/ (loss) per share

Basic earnings per share	0.42	0.01	0.71	(0.05)
Diluted earnings per share	0.41	0.01	0.69	(0.05)
Weighted average number of ordinary shares outstanding - basic earnings per share	53,904,850	29,029,623	43,061,295	28,663,978
Weighted average number of ordinary shares outstanding - diluted earnings per share	55,397,817	29,658,542	44,512,131	29,521,313

(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 June 30 2006		
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	22,499	53,904,850	0.42
Effect of dilutive securities:			
Options and warrants	-	1,492,967	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	22,499	55,397,817	0.41

	Six months ended June 30 2006		
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	30,750	43,061,295	0.71
Effect of dilutive securities:			
Options and warrants	-	1,450,836	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	30,750	44,512,131	0.69

19. Supplementary cash flow information

	3 Months Ended June 30		6 Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Changes to non-cash working capital				
Accounts receivable	(10,748)	(41)	(24,803)	(1,738)
Inventories	(4,704)	(1,421)	(4,301)	(2,870)
Prepaid expenses and deposits	198	(486)	(199)	(212)
Deferred mining	1,872	(695)	2,579	(1,011)
Accounts payable and accrued liabilities	(689)	3,219	(341)	3,273
Tax provision	-	23	71	(22)
Other liabilities	(790)	104	(377)	(38)
	<u>(14,861)</u>	<u>703</u>	<u>(27,513)</u>	<u>(2,618)</u>
(b) Other information				
Interest and financing fees paid	(9)	(576)	(3,853)	(1,223)
Income tax paid	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

20. Subsequent Events

On July 31, 2006, the Company announced that it had entered into an agreement to acquire an additional 10% interest in the mining rights for the Kinsevere-Nambulwa copper-cobalt deposits. The additional interest will be acquired from the Mining Company Katanga s.p.r.l. ("MCK"), a private company that is Anvil's joint venture partner in the Kinsevere-Nambula project. Under the terms of the agreement, Anvil will pay a total amount of \$14 million in cash and common shares for an additional 10% interest in the project, taking its interest in the project from 70%, as outlined in note 13, to 80%. The agreement provides for Anvil to make a payment of \$2.5 million in cash upon the signing of the agreement, a payment of \$7.5 million in cash at closing, and \$4 million in common shares of Anvil Mining Limited. Completion of the transaction is subject to entering into a definitive agreement, approval by Anvil Mining's Board of Directors and receipt of regulatory approvals, including the approval of the TSX.

The effect of this transaction has not been accounted for by the Group as at June 30, 2006, and is not reflected in the financial statements.