

Anvil Mining Limited

Consolidated Financial Statements

For the three months (first quarter) ended March 31, 2007

(Unaudited)

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

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

Consolidated Balance Sheets (unaudited)

	Notes	March 31 2007 \$	December 31 2006 \$
ASSETS			
Current assets			
Cash and cash equivalents		16,578	59,302
Restricted cash	3	225	219
Accounts receivable	4	39,780	29,594
Inventories	5	18,534	18,020
Investments	6	89,884	95,819
Prepaid expenses and deposits		7,418	6,936
		<u>172,419</u>	<u>209,890</u>
Deferred financing fees	1	-	791
Exploration and acquisition expenditure	7	129,351	127,138
Property, plant and equipment	8	86,165	63,930
Future income tax asset		737	737
		<u>388,672</u>	<u>402,486</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	13,706	14,285
Current income taxes		4,144	3,281
Other liabilities		781	676
Current portion of long term debt	10	7,582	8,000
Purchase consideration payable	11	1,250	46,250
		<u>27,463</u>	<u>72,492</u>
Long term debt	10	1,969	4,000
Future income tax liability		36,453	36,505
Asset retirement obligations		1,573	1,402
		<u>67,458</u>	<u>114,399</u>
Non controlling interest	12	10,398	8,291
Shareholders' equity			
Common shares		193,224	183,503
Contributed surplus		3,375	3,020
Retained earnings		113,602	92,714
Accumulated other comprehensive income		615	559
Total Shareholders' equity		<u>310,816</u>	<u>279,796</u>
		<u>388,672</u>	<u>402,486</u>

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 Income and Comprehensive Income (unaudited)

		Quarter Ended March 31	
	Notes	2007	2006
		\$	\$
Concentrate sales		42,036	33,213
Operating expenses		(13,031)	(15,833)
Amortization		(1,820)	(1,807)
Operating profit		<u>27,185</u>	<u>15,573</u>
Other income	2	1,151	369
General, administrative and marketing		(2,406)	(1,682)
Foreign exchange gains/(losses)		50	(445)
Stock based compensation		(559)	(243)
Social development		(506)	-
Interest and financing fees	2	(401)	(3,855)
Earnings before income tax and non controlling interest		<u>24,514</u>	<u>9,717</u>
Income tax		(811)	4
Non controlling interest		(2,625)	(1,470)
Net Income		<u><u>21,078</u></u>	<u><u>8,251</u></u>
Other comprehensive income, net of taxes:			
Net unrealized gains/(losses) on available-for-sale securities		(71)	
Total comprehensive income		<u><u>21,007</u></u>	
Basic earnings per share (\$)	18	0.37	0.26
Diluted earnings per share (\$)	18	0.36	0.25

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 Changes in Shareholders' Equity (unaudited)

	March 31 2007 \$	March 31 2006 \$
Common shares		
Balance at beginning of period	183,503	35,077
Exercise of stock options	517	1,367
Share issue	-	128,359
Conversion of special warrants to common shares	-	-
Conversion of ordinary warrants to common shares	-	-
Issue of shares for acquisition	9,000	-
Transfer from contributed surplus	204	-
Shares issue expenses	-	(7,784)
Balance at end of period	<u>193,224</u>	<u>157,019</u>
Contributed surplus		
Balance at beginning of period	3,020	6,674
Employee stock based compensation recognised	559	243
Transfer to common shares	(204)	-
Balance at end of period	<u>3,375</u>	<u>6,917</u>
Retained earnings		
Balance at beginning of period	92,714	10,537
Adjustment to opening retained earnings (1)	(190)	-
Net income	21,078	8,251
Balance at end of period	<u>113,602</u>	<u>18,788</u>
Accumulated other comprehensive income		
Balance at beginning of period	559	559
Adjustment to opening other comprehensive income (1)	127	-
Net change in unrealized gains/(losses) on available for sale securities	(71)	-
Balance at end of period	<u>615</u>	<u>559</u>
Shareholders' equity at end of period	<u>310,816</u>	<u>183,283</u>

(1) This treatment is in accordance with the new financial instruments accounting standard. Refer to significant accounting policies note 1.

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

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

Consolidated Statements of Cash Flows (unaudited)

	Notes	Quarter Ended March 31	
		2007	2006
		\$	\$
Cash flows from operating activities			
Net income for the period		21,078	8,251
Items not affecting cash			
Amortization		1,820	1,807
Non controlling interest		2,625	1,470
Amortization of financing fees		151	1,553
Unrealized foreign exchange (gains)/losses		(6)	34
Stock based compensation		559	243
Future tax		(52)	-
Investment interest and coupons classified as cash flows from investing activities		(1,418)	-
Changes in non-cash working capital	19	(10,357)	(12,656)
		<u>14,400</u>	<u>702</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(22,081)	(2,599)
Proceeds from sale of property, plant and equipment		13	-
Payments for exploration and evaluation expenditure		(4,030)	(1,321)
Payment for acquisition		(36,000)	-
Payment of deferred acquisition costs		-	(3,750)
Proceeds of principal repayments from investments		5,992	-
Interest and coupon payments received on investments		1,418	-
		<u>(54,688)</u>	<u>(7,670)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of issue expenses)		82	121,936
Repayment of borrowings		(2,000)	(10,652)
Advances on behalf of Anvil Mining Congo trusts (10% owner of the Dikulushi mine)		(518)	-
		<u>(2,436)</u>	<u>111,284</u>
Net increase (decrease) in cash and cash equivalents		<u>(42,724)</u>	<u>104,316</u>
Cash and cash equivalents at beginning of the period		59,302	7,945
Cash and cash equivalents at end of the period		<u>16,578</u>	<u>112,261</u>
Non cash financing and investing activities	20		

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

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, 2006, 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.

1. Significant accounting policies

Significant accounting changes

On January 1, 2007, the Group adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, Comprehensive Income and Handbook Section 3855, Financial Instruments-Recognition and Measurement. The Group has not restated prior periods and included comparative amounts, as these new standards have been adopted prospectively, but the transitional effects of adopting these new standards have been recorded as an adjustment to Retained Earnings as at January 1, 2007.

Section 1530: Comprehensive Income

Section 1530 introduces Comprehensive Income, which consists of net income and other comprehensive income (OCI). OCI represents changes in shareholders’ equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. The Group has included in these Consolidated Financial Statements a Statement of Comprehensive Income for the changes in the comprehensive income during the first quarter of 2007. The cumulative changes in the OCI are included in Accumulated Other Comprehensive Income (AOCI), which is presented as a new category of Shareholders’ Equity on the Consolidated Balance Sheet.

Section 3855: Financial Instruments – Recognition and Measurement

Section 3855 established standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and financial liabilities be recognized on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the financial instrument contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent on whether the financial instrument has been classified as held-for-trading, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in non-interest income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are included as Investments on the Group’s Consolidated Balance Sheet and measured at fair value, with unrealized gains and losses being recognized in OCI.

Impact upon adoption of Sections 1530 and 3855

The Group has recognised in the AOCI \$0.056 million, net of taxes, related to the net unrealized gain on available-for-sale financial assets. A net unrealized gain of \$0.127 million was recorded as an adjustment to the opening balance of the AOCI, and a net unrealized loss of \$0.071 million was recorded for the three months ended March 31, 2007 through OCI. The Group has also reclassified \$0.559 million to the opening balance of the AOCI relating to net foreign currency gains that were previously treated as a separate item of equity in the Shareholders’ Equity.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**1. Significant accounting policies****Deferred Financing Fees**

At December 31, 2006, the Group had \$0.791 million of capitalized financing fees that related to the loans payable to Fortis Bank. Changes to the CICA standards since this date have allowed the Group to offset these fees against the loans payable to Fortis, and to amortise these fees over the term of the loan using the effective interest rate. This treatment was adopted prospectively but calculated retrospectively, and as a result, the Group has recognised an expense that related to the 2006 year of \$0.190 million. This has been recorded as an adjustment to the opening Retained Earnings available to shareholders as at January 1, 2007.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535: Capital Disclosures, Handbook Section 3862: Financial Instruments – Disclosures, and Handbook section 3863: Financial Instruments – Presentation. These new standards will be effective for the Group on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

2. Other income and interest and financing fees

	Quarter ended March 31	
	2007	2006
	\$	\$
Interest received	1,151	207
Drilling services	-	162
	<u>1,151</u>	<u>369</u>
Interest and financing fees		
Financing fee	-	2,097
Interest	250	205
Amortization of financing fees	151	1,553
	<u>401</u>	<u>3,855</u>

3. Restricted cash

	March 31	December 31
	2007	2006
	\$	\$
Cash deposits held as security or on escrow	225	219
	<u>225</u>	<u>219</u>

At March 31, 2007, 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)

	March 31 2007	December 31 2006
	\$	\$
4. Accounts receivable		
Trade receivables	36,498	25,498
Accrued interest income	617	1,178
Other	2,665	2,918
	<u>39,780</u>	<u>29,594</u>
	March 31 2007	December 31 2006
	\$	\$
5. Inventories		
Raw materials and stores – at cost	7,361	7,007
Ore stockpiles – at cost	2,073	2,719
Concentrate in stockpiles and in transit – at cost	9,100	8,294
	<u>18,534</u>	<u>18,020</u>
	March 31 2007	December 31 2006
	\$	\$
6. Investments		
Available-for-sale investments at cost	<u>89,828</u>	<u>95,819</u>
Available-for-sale investments at fair value	<u>89,884</u>	<u>95,946</u>

The investments are a result of the cash received from the capital raising in March 2006 being placed into highly secure and liquid assets. The investments can be readily converted into cash as, and when, the Group's funding requirements necessitate.

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	March 31	December 31
	2007	2006
	\$	\$
7. Exploration and acquisition expenditure		
Exploration and acquisition expenditure at beginning of period	127,138	27,578
Expenditure transferred to development properties	(1,941)	(1,699)
Fair value of exploration properties acquired	-	96,034
Expenditure incurred	4,154	5,267
Expenditure written off	-	(42)
Exploration and acquisition expenditure at end of period	<u>129,351</u>	<u>127,138</u>
Exploration expenditure ⁽¹⁾ :		
Dikulushi mine and regional projects	2,190	3,637
Mutoshi projects	3,476	2,735
Kinsevere-Nambulwa projects	4,921	4,200
Philippines regional exploration projects	2,596	431
Duc Bo exploration project – Vietnam	1,053	1,020
	<u>14,236</u>	<u>12,023</u>
Acquisition expenditure ⁽²⁾ :		
Mutoshi projects	27,604	27,604
Kinsevere-Nambulwa projects	87,511	87,511
	<u>115,115</u>	<u>115,115</u>
Total exploration and acquisition expenditure:		
Dikulushi mine and regional projects	2,190	3,637
Mutoshi projects	31,080	30,339
Kinsevere-Nambulwa projects	92,432	91,711
Philippines regional exploration projects	2,596	431
Duc Bo exploration project – Vietnam	1,053	1,020
	<u>129,351</u>	<u>127,138</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.

¹ Refers to exploration expenditure directly incurred by the Group on tenements as part of general exploration activity.

² Refers to the fair value of exploration property acquired.

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	March 31 2007		
8. Property, plant and equipment	Cost	Accumulated depletion, amortization and write-down	Net book value
	\$	\$	\$
Dikulushi⁽¹⁾			
Land and buildings	3,029	(1,198)	1,831
Plant and equipment	22,454	(9,437)	13,017
Mine property	10,171	(2,488)	7,683
Construction work in progress	2,020	-	2,020
	<u>37,674</u>	<u>(13,123)</u>	<u>24,551</u>
Kulu⁽²⁾			
Land and buildings	248	(72)	176
Plant and equipment	3,927	(1,541)	2,386
Mine property	10,620	(884)	9,736
Construction work in progress	402	-	402
	<u>15,197</u>	<u>(2,497)</u>	<u>12,700</u>
Kinsevere⁽³⁾			
Construction work in progress	42,606	-	42,606
	<u>42,606</u>	<u>-</u>	<u>42,606</u>
Services⁽⁴⁾			
Land and buildings	662	(44)	618
Plant and equipment	2,523	(724)	1,799
Construction work in progress	3,477	-	3,477
	<u>6,662</u>	<u>(768)</u>	<u>5,894</u>
Corporate and other⁽⁵⁾	693	(279)	414
Total	<u>102,832</u>	<u>(16,667)</u>	<u>86,165</u>

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

8. Property, plant and equipment	December 31 2006		
	Cost \$	Accumulated depletion, amortization and write-down \$	Net book value \$
Dikulushi⁽¹⁾			
Land and buildings	2,909	(1,086)	1,823
Plant and equipment	22,588	(8,449)	14,139
Mine property	6,661	(5,215)	1,446
Construction work in progress	4,322	-	4,322
	<u>36,480</u>	<u>(14,750)</u>	<u>21,730</u>
Kulu⁽²⁾			
Land and buildings	68	(9)	59
Plant and equipment	3,560	(1,287)	2,273
Mine property	10,620	(852)	9,768
Construction work in progress	921	-	921
	<u>15,169</u>	<u>(2,148)</u>	<u>13,021</u>
Kinsevere⁽³⁾			
Construction work in progress	24,655	-	24,655
	<u>24,655</u>	<u>-</u>	<u>24,655</u>
Services⁽⁴⁾			
Land and buildings	662	(27)	635
Plant and equipment	2,180	(567)	1,613
Construction work in progress	1,790	-	1,790
	<u>4,632</u>	<u>(594)</u>	<u>4,038</u>
Corporate and other⁽⁵⁾	724	(238)	486
Total	<u>81,660</u>	<u>(17,730)</u>	<u>63,930</u>

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	March 31	December 31
	2007	2006
	\$	\$
9. Accounts payable and accrued liabilities		
Trade creditors	5,467	6,835
Creditor and other accruals	8,239	7,450
	<u>13,706</u>	<u>14,285</u>

10. Long term debt facilities

		March 31	December 31
		2007	2006
		\$	\$
Fortis Bank facility	10(a)	10,000	12,000
Less: financing fees		(449)	-
		<u>9,551</u>	<u>12,000</u>
Less: current portion		(7,582)	(8,000)
		<u>1,969</u>	<u>4,000</u>

The scheduled minimum repayments are as follows:

Financial year 2007	6,000	8,000
Financial year 2008	4,000	4,000
	<u>10,000</u>	<u>12,000</u>

(a) Fortis Bank facility

On June 16, 2006, the Group finalised all documentation for the Fortis Bank \$15 million finance facility. As at March 31, 2007 the Group had fully drawn down \$15 million of the facility, of which \$5 million had been repaid. The loan bears interest at the London Interbank Offer Rate (LIBOR) + 2.92% per annum and is payable in arrears, quarterly, over five further quarters.

The Group has pledged the following to Fortis as security for the facility:

- (i) Assignment of Initial Intra-Group Loan Agreements. The rights, title, interest and benefit associated with the Dikulushi Project Financing and Mutoshi Project Financing agreements between Anvil Mining Investments Limited, and Anvil Mining Congo s.a.r.l and Société de Minière de Kolwezi s.p.r.l. (all Anvil Mining Limited Group subsidiaries) respectively.
- (ii) Assignment of specific off take contracts with Republic House and Transamine. The whole benefit and all of the right, title and interest in the specific off take contracts is assigned to Fortis.
- (iii) Fortis has been granted first ranking pledge over the bank accounts of Anvil Mining Investments Limited, and Anvil Mining Congo s.a.r.l and Société de Minière de Kolwezi s.p.r.l. that are held with Fortis.
- (iv) Assignment of Operational Insurances. The rights, title, benefit and claims of Anvil Mining Limited and its subsidiaries under policies of insurance against physical loss in respect of the projects are assigned to Fortis.

11. Purchase consideration payable**Mutoshi acquisition**

At March 31, 2007 \$1.25 million purchase consideration for the initial acquisition of the 70% interest in Mutoshi has not been settled, as the legal documentation regarding the tenement transfers has not been completed.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**12. 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%.

The Group also holds an indirect 80% interest in SMK which is the owner and operator of the Kulu mine and an indirect 95% interest in AMCK which is undertaking the development of the Kinsevere-Nambulwa tenements (collectively “Other subsidiaries”).

The movements in non controlling interests during the three months ended March 31, 2007 are as follows:

	March 31	December 31
	2007	2006
	\$	\$
(a) Anvil Mining Congo – non controlling interests		
Balance – beginning of period	6,495	1,661
Amounts advanced on behalf of the Trusts during the period	(518)	(3,224)
Interests in net earnings of Anvil Mining Congo	2,280	8,058
Balance – end of period	<u>8,257</u>	<u>6,495</u>
(b) Other subsidiaries – non controlling interests		
Balance – beginning of period	1,796	61
Interest in net earnings of SMK	345	2,528
Minority shareholding in Emiko (12.5%) – owner of 80% interest in SMK	-	551
Minority shareholding in AMCK (20%)	-	46
Non-controlling interest bought back via purchase of 12.5% shares in Emiko	-	(1,356)
Non-controlling interest bought back via purchase of 15% shares in AMCK	-	(34)
Balance – end of period	<u>2,141</u>	<u>1,796</u>
Total non- controlling interests – end of period	<u>10,398</u>	<u>8,291</u>

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**13. Share options and share warrants****(a) 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 ten percent of the total shares on issue. At March 31, 2007, the Company is able to issue an additional 3,700,324 (December 2006 - 3,804,421) common shares under this plan.

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

The assumptions 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%	4.21%
Expected life:	36 months	69 months
Expected volatility:	67.8%	48.6%
Expected dividend yield:	0%	0%

During the three months ended March 31, 2007, 75,000 stock options with an exercise price of C\$12.04 each, with a total fair value of \$0.341 million were issued to non-executive Directors pursuant to the terms of the plan. During the three months ended March 31, 2006, 50,000 stock options with an exercise price of C\$7.06 each, with a total fair value of \$0.142 million were issued to non-executive Directors pursuant to the terms of the plan.

During the three months ended March 31, 2007, 240,473 stock options with an exercise price, ranging from C\$10.54 to C\$14.06 each, with a total fair value of \$1.230 million were issued to employees under the stock option plan and 108,333 employee stock options were exercised. During the three months ended March 31, 2006, 263,000 stock options with an exercise price, ranging from C\$5.85 to C\$7.06 each, with a total fair value of \$0.793 million were issued to employees under the stock option plan and 20,000 employee stock options were exercised.

The stock option expense for the period ended March 31, 2007 amounted to \$0.559 million (three months ended March 31, 2006 – \$0.243 million). As at March 31, 2007, the aggregate fair value of unvested stock options remaining to be charged to income amounted to \$2.723 million (March 31, 2006 – \$1.176 million).

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

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

	March 31, 2007		December 31, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Australian Dollar based options				
Outstanding at beginning of period	340,000	A\$2.10	400,000	A\$1.79
Granted under plan	-	-	-	-
Exercised	(60,000)	A\$6.50	(60,000)	A\$1.50
Outstanding at the end of period	280,000	A\$1.20	340,000	A\$2.10
Options vested and exercisable at the end of the period	275,000	A\$1.2	320,000	A\$1.60
Canadian Dollar based options⁽¹⁾				
Outstanding at beginning of period	1,526,334	C\$4.16	740,000	C\$4.44
Granted under plan	315,473	C\$11.57	828,000	C\$3.98
Exercised	(48,333)	C\$4.40	(41,666)	C\$4.27
Expired & forfeited	(5,000)	-	-	C\$4.25
Outstanding at the end of period	1,788,474	C\$6.55	1,526,334	C\$4.16
Options vested and exercisable at the end of the period	263,889	C\$4.06	308,333	C\$4.47

(1) 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 March 31, 2007:

Range of exercise prices	Options outstanding			Options exercisable		
	Number outstanding at March 31, 2007	Weighted average of remaining contractual life (months)	Weighted average exercise price	Number outstanding at March 31, 2007	Weighted average of remaining contractual life (months)	Weighted average exercise price
A\$1.20-A\$2.60	275,000	13	A\$1.20	275,000	13	A\$1.20
C\$3.80	595,000	50	C\$3.80	198,333	50	C\$3.80
C\$4.25-C\$4.66	305,001	43	C\$4.33	148,889	43	C\$4.27
C\$5.85-C\$5.92	80,000	58	C\$5.89	26,667	58	C\$5.89
C\$7.06	328,000	60	C\$7.06	109,333	60	C\$7.06
C\$9.41	100,000	29	C\$9.41	-	-	-
C\$11.23-C\$11.28	70,000	68	C\$11.26	-	-	-
C\$10.54	125,000	70	C\$10.54	-	-	-
C\$11.06	35,000	71	C\$11.06	-	-	-
C\$11.84	40,000	71	C\$11.84	-	-	-
C\$12.04	75,000	71	C\$12.04	-	-	-
C\$14.06	40,473	72	C\$14.06	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**(b) Warrants**

Warrants to purchase common shares that have been granted or cancelled were as follows:

Date	Details	Notes	No. of Warrants	Exercise Price	Fair Values \$
December 31, 2005	Closing balance		4,516,631		5,567
January 2006	Exercise of warrants	(i)	(296,631)	A\$1.20	(116)
March 2006	Exercise of warrants	(ii)	(500,000)	A\$3.00	(499)
March to June 2006	Exercise of warrants	(iii)	(2,620,000)	C\$6.25	(3,925)
August 2006	Exercise of warrants	(iv)	(500,000)	C\$5.25	(335)
December 31, 2006	Closing balance		600,000		692
March 31, 2007	Closing balance	(v)	600,000		692

Details of movements in warrants are as follows:

- (i) In January 2006, 296,631 Warrants issued through the conversion of Convertible Notes, issued by Anvil NL (prior to the Reorganization), in January 2004, were exercised by the warrant holder.
- (ii) In March 2006, 500,000 warrants issued in respect of the grant of financing facilities by RMBI were exercised.
- (iii) During the period March to June 2006, 2,620,000 share purchase warrants issued as part of the special warrants issued in December 2004 were exercised.
- (iv) In August 2006, 500,000 warrants issued in respect of the grant of financing facilities by RMBI were exercised.
- (v) The closing balance refers to 600,000 warrants to purchase 600,000 shares at an exercise price of C\$6.25 per share issued to Deans Knight Capital Management Ltd on December 22, 2005. The warrants expire on December 22, 2007.

14. 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 March 31, 2007 is \$2.3 million (December 31, 2006 - \$0.1 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 March 31, 2007 were \$3.1 million (December 31, 2006 \$3.0 million).

(c) Kulu mine

The outstanding capital commitments of the Kulu mine contracted for at March 31, 2007 were \$6.4 million (December 31, 2006 \$1.5 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) Kinsevere mine

The outstanding capital commitments of the Kinsevere mine contracted for at March 31, 2007 were \$17.3 million (December 31, 2006 \$19.0 million).

(e) Anvil Mining Services

The outstanding capital commitments of Anvil Mining Services contracted for at March 31, 2007 were \$0.9 million (December 31, 2006 \$0.6 million).

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

(f) 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 March 31, 2007 the amount to be repatriated was \$5.1 million (December 31 2006 - \$5.0 million). These funds, once repatriated, are available to the Company to meet obligations both within and outside the DRC.

15. Contingent liabilities

At March 31, 2007, the Office Congolaise de Controle (OCC) in the DRC claim of \$1.3 million for fees relating to import duty from a Group subsidiary, Anvil Mining Congo s.a.r.l (AMC), is still outstanding. The Group's potential liability for the amount of \$1.3 million is being contested as the claimant opposes the application of the new mining code in the DRC.

At March 31, 2007, the government tax authority in the DRC, DGI, has assessed income taxes submitted on expatriate salaries for the period January 2004 to January 2006 against AMC. AMC's potential liability of \$1.1 million is being contested as the present DGI claim does not recognise the exemption granted to AMC under the AMC Mining Convention.

16. Segment information

The Company's reportable operating segments are strategic business units that produce different but related products or services. Each business unit is managed separately because each requires different technology and marketing strategies.

Dikulushi copper/silver operation – 90% ownership

The Dikulushi operation is located in the Democratic Republic of Congo Katanga province. The operation was developed in 2002, and produces a sulphide copper concentrate with a silver credit.

Kulu copper operation - 80% ownership

The Mutoshi operation is located in the Democratic Republic of Congo Katanga province. The operation was developed in 2005, and produces an oxide copper concentrate.

Kinsevere copper/cobalt operation – 95% ownership

The Kinsevere operation is located in the Democratic Republic of Congo Katanga province. The operation is currently being developed, and will initially produce black copper ingots using an electric arc furnace. The Stage II development will later produce grade A copper cathodes through an SX-EW process.

Corporate development, administration and other (CDA)

The corporate development, administration and other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting and corporate administration. It also holds the rights to mineral interests in Vietnam and the Philippines.

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

For the period ended March 31, 2007, segmented information is presented as follows. The inter-segment eliminations relate to intercompany interest charged on loan balances, and the charging of corporate marketing, finance and agency fees within the Group.

	Dikulushi	Kulu	Kinsevere	CDA	Inter-segment	March 31, 2007 Total
Concentrate sales	33,198	8,838	-	-	-	42,036
Operating expenses	(8,548)	(3,990)	-	(493)	-	(13,031)
Amortization	(1,209)	(350)	-	(261)	-	(1,820)
Segmented operating profit (loss)	23,441	4,498	-	(754)	-	27,185
Interest and financing fees	-	(528)	-	(401)	528	(401)
Other income	50	-	-	2,580	(1,479)	1,151
Other expenses	(688)	(1,435)	-	(2,249)	951	(3,421)
Segmented profit before under noted items	22,803	2,535	-	(824)	-	24,514
Income taxes	-	(811)	-	-	-	(811)
Non controlling interest	(2,280)	(345)	-	-	-	(2,625)
Segmented profit	20,523	1,379	-	(824)	-	21,078
Property, plant and equipment	23,661	12,700	42,587	7,217	-	86,165
Total assets	93,687	53,723	136,623	104,639	-	388,672
Capital expenditures	1,092	39	19,748	1,202	-	22,081

For the period ended March 31, 2006, segmented information is presented as follows:

	Dikulushi	Kulu	Kinsevere	CDA	Inter-segment	March 31, 2006 Total
Concentrate sales	28,718	4,495	-	-	-	33,213
Operating expenses	(13,126)	(2,626)	-	(81)	-	(15,833)
Amortization	(1,147)	(448)	-	(212)	-	(1,807)
Segmented operating profit (loss)	14,445	1,421	-	(293)	-	15,573
Interest and financing fees	(2,696)	-	-	(1,159)	-	(3,855)
Other income	15	-	-	1,064	(710)	369
Other expenses	(460)	(291)	-	(2,329)	710	(2,370)
Segmented profit (loss) before under noted items	11,304	1,130	-	(2,717)	-	9,717
Income taxes	-	-	-	4	-	4
Non controlling interest	(1,131)	(339)	-	-	-	(1,470)
Segmented profit (loss)	10,173	791	-	(2,713)	-	8,251
Property, plant and equipment	16,816	10,066	1,574	4,074	-	32,530
Total assets	38,966	12,144	2,721	151,887	-	205,718
Capital expenditures	940	1,281	324	54	-	2,599

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**Geographical Reporting**

The operations in DRC comprise the Dikulushi copper-silver mine, Kulu copper mine, Kinsevere copper-cobalt project, 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 Vietnam operations comprise the exploration tenements in Vietnam. The Group's Philippines operations comprise the exploration tenements in the Philippines. 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	March 31 2007 \$	December 31 2006 \$
Democratic Republic of Congo	279,245	232,941
Zambia	723	678
Vietnam	1,053	1,021
Philippines	2,596	431
Australia ⁽¹⁾	2,371	52,753
Canada ⁽¹⁾	102,684	114,662
	388,672	402,486

(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	Quarter ended March 31	
	2007 \$	2006 \$
Democratic Republic of Congo	42,036	33,213

17. 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.

Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities of the Company approximates their carrying value.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**18. Earnings per share**

	Quarter ended March 31 2007	Quarter ended March 31 2006
Basic earnings per share (\$ per share)	0.37	0.26
Diluted earnings per share (\$ per share)	0.36	0.25
Weighted average number of common shares outstanding - basic earnings per share	56,731,966	31,913,895
Weighted average number of common shares outstanding - diluted earnings per share	58,060,900	33,236,762

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

	Income \$	Shares Number	Quarter ended March 31 2007 Per share amount \$
Basic earnings per share Income available to shareholders	21,078	56,731,966	0.37
Effect of dilutive securities Options	-	1,328,934	-
Diluted earnings per share Income available to shareholders and assumed conversions	21,078	58,060,900	0.36
	Income \$	Shares Number	Quarter ended March 31 2006 Per share amount \$
Basic earnings per share Income available to shareholders	8,251	31,913,895	0.26
Effect of dilutive securities Options	-	1,322,867	-
Diluted earnings per share Income available to shareholders and assumed conversions	8,251	33,236,762	0.25

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**19. Supplementary cash flow information**

	Quarter ended March 31 2007	Quarter ended March 31 2006
(a) Changes to non-cash working capital		
Accounts receivable	(9,750)	(14,055)
Inventories	(514)	403
Prepaid expenses and deposits	(482)	(397)
Deferred mining	-	707
Accounts payable and accrued liabilities	(579)	348
Tax provision	863	(75)
Other liabilities	105	413
	<u>(10,357)</u>	<u>(12,656)</u>
Other information:		
Interest and financing fees paid	(250)	(647)
Income tax paid	-	(39)

20. Non-cash financing and investing activities

On December 21, 2006, the Group completed its acquisition of an additional 15% interest in AMCK Mining s.p.r.l. The total consideration of \$45.0 million, being \$36 million in cash and \$9 million in common shares of Anvil Mining Limited, was unpaid at December 31, 2006. During the quarter ended March 31, 2007, the Group extinguished this liability of \$45.0 million in full. This included issuing \$9 million in common shares of Anvil Mining Limited (872,093 common shares at a price of US\$10.32 per share).

21. Subsequent event

On April 23, 2007, Anvil entered into an agreement with Sub-Sahara ("Sub-Sahara") Resources NL. In accordance with the agreement, Anvil will undertake an investment in Sub-Sahara by way of a private placement of A\$7.2 million (90 million shares at A\$0.08), which will give Anvil an 18% stake in Sub-Sahara.

The private placement will be completed in two tranches: 60 million shares (A\$4.8 million) immediately after entering into the agreement, and a further 30 million shares (A\$2.4 million) subject to Sub-Sahara shareholder approval. Sub-Sahara will also grant to Anvil, subject to Sub-Sahara shareholder approval, 25 million options exercisable at A\$0.15 with a term of two years from the date of issue.

Sub-Sahara is an Australian Stock Exchange listed company (ASX: SBS) with interests in a number of exploration projects in Eritrea and Tanzania.