

Anvil Mining Limited

Consolidated Financial Statements

Three months (Second Quarter) ended June 30, 2007

(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 2007 \$	December 31 2006 \$
ASSETS			
Current assets			
Cash and cash equivalents		202,997	59,302
Restricted cash	3	396	219
Accounts receivable	4	52,315	29,594
Inventories	5	18,130	18,020
Investments	6	81,158	95,819
Prepaid expenses and deposits		10,421	6,936
		<u>365,417</u>	<u>209,890</u>
Deferred financing fees	7	-	791
Prepayments		524	-
Investments	6	4,788	-
Deferred mining costs	8	6,914	-
Exploration and acquisition expenditure	9	133,195	127,138
Property, plant and equipment	10	101,132	63,930
Future income tax asset		737	737
		<u>612,707</u>	<u>402,486</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	14,442	14,285
Current income taxes		1,118	3,281
Other liabilities		911	676
Current portion of long term debt	12	7,677	8,000
Purchase consideration payable	13	1,250	46,250
		<u>25,398</u>	<u>72,492</u>
Long-term debt	12	-	4,000
Future income tax liability		36,453	36,505
Asset retirement obligations	14	10,535	1,402
		<u>72,386</u>	<u>114,399</u>
Non-controlling interest	15	12,928	8,291
		<u>85,314</u>	<u>122,690</u>
Shareholders' equity			
Equity accounts	16	377,030	186,523
Retained earnings		148,964	92,714
Accumulated other comprehensive income		1,399	559
Total shareholders' equity		<u>527,393</u>	<u>279,796</u>
		<u>612,707</u>	<u>402,486</u>
Commitments for expenditure	17		
Contingent liabilities	18		
Subsequent events	22		

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)

	Notes	3 Months Ended June 30		6 Months Ended June 30	
		2007 \$	2006 \$	2007 \$	2006 \$
Concentrate sales		65,696	42,965	107,732	76,178
Operating expenses		(20,338)	(13,479)	(33,369)	(29,312)
Amortization		(2,212)	(1,817)	(4,032)	(3,624)
Operating profit		43,146	27,669	70,331	43,242
Other income	2	2,195	1,396	3,346	1,765
General, administrative and marketing		(3,049)	(2,123)	(5,455)	(3,805)
Exploration expenditure written off		(1,063)	-	(1,063)	-
Foreign exchange gains/(losses)		(88)	174	(38)	(271)
Social development		(537)	-	(1,043)	-
Stock based compensation		(645)	(355)	(1,204)	(598)
Interest and financing fees	2	(418)	(193)	(819)	(4,048)
Earnings before income tax and non-controlling interest		39,541	26,568	64,055	36,285
Income tax		(237)	(834)	(1,048)	(830)
Non-controlling interest		(3,942)	(3,235)	(6,567)	(4,705)
Net Income		35,362	22,499	56,440	30,750
Other comprehensive income, net of taxes:					
Net unrealized gains/(losses) on available-for-sale securities		784	-	713	-
Total comprehensive income		36,146	22,499	57,153	30,750
Basic earnings per share (\$)	20	0.58	0.42	0.96	0.71
Diluted earnings per share (\$)	20	0.57	0.41	0.94	0.69

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)

	June 30 2007	June 30 2006
	\$	\$
Common shares		
Balance at beginning of period	183,503	35,077
Exercise of stock options	1,126	24
Share issue	188,771	128,359
Conversion of special warrants to common shares	-	14,807
Conversion of ordinary warrants to common shares	-	1,338
Issue of shares for acquisition	9,000	-
Transfer from contributed surplus	470	4,540
Shares issue expenses	(9,594)	(7,946)
Balance at end of period	<u>373,276</u>	<u>176,198</u>
Contributed surplus		
Balance at beginning of period	3,020	6,674
Employee stock based compensation recognised	1,204	598
Transfer to common shares	(470)	(4,540)
Balance at end of period	<u>3,754</u>	<u>2,732</u>
Retained earnings		
Balance at beginning of period	92,714	10,537
Adjustment to opening retained earnings ⁽¹⁾	(190)	-
Net income for the period	56,440	30,750
Balance at end of period	<u>148,964</u>	<u>41,287</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	713	-
Balance at end of period	<u>1,399</u>	<u>559</u>
Shareholders' equity at end of period	<u><u>527,393</u></u>	<u><u>220,776</u></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	3 Months Ended June 30		6 Months Ended June 30	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities					
Net earnings for the period		35,362	22,499	56,440	30,750
Items not affecting cash					
Amortization		2,212	1,817	4,032	3,624
Exploration expenditure written off		1,063	-	1,063	-
Non-controlling interest		3,942	3,235	6,567	4,705
Borrowing costs - amortized		312	-	463	1,553
Unrealized foreign exchange (gains)/losses		(221)	(36)	(227)	(2)
Future tax		-	-	(52)	-
Stock based compensation		645	355	1,204	598
Changes in non-cash working capital	21	(24,733)	(13,476)	(35,090)	(26,132)
		<u>18,582</u>	<u>14,394</u>	<u>34,400</u>	<u>15,096</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(8,094)	(4,501)	(30,175)	(7,100)
Proceeds from sale of assets		-	73	13	73
Payments for exploration and evaluation expenditure		(4,910)	(2,688)	(8,940)	(4,009)
Payment for acquisition		-	-	(36,000)	-
Payment for investment in Sub-Saharan		(3,972)	-	(3,972)	-
Payments for deferred acquisitions costs		-	(328)	-	(4,078)
Payments for investments		-	(109,060)	-	(109,060)
Proceeds of principal repayments from investments		8,694	9,095	14,686	9,095
		<u>(8,282)</u>	<u>(107,409)</u>	<u>(64,388)</u>	<u>(115,079)</u>
Cash flows from financing activities					
Proceeds from issue of shares (net of issue expenses)		179,787	14,639	179,869	136,575
Payment for borrowing fees		(80)	-	(80)	-
Movement in restricted cash		(177)	-	(177)	-
Repayment of borrowings		(2,000)	-	(4,000)	(10,652)
Advances on behalf of Anvil Mining Congo trusts (10% owner of the Dikulushi mine)		(1,411)	-	(1,929)	-
		<u>176,119</u>	<u>14,639</u>	<u>173,683</u>	<u>125,923</u>
Net increase/ (decrease) in cash and cash equivalents		186,419	(78,376)	143,695	25,940
Cash and cash equivalents at beginning of the period		16,578	112,261	59,302	7,945
Effects of exchange rate changes on cash held in foreign currencies		-	(1)	-	(1)
Cash and cash equivalents at end of the period		<u>202,997</u>	<u>33,884</u>	<u>202,997</u>	<u>33,884</u>

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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**Impact upon adoption of Sections 1530 and 3855**

The Group has recognized in the AOCI \$1.399 million, net of taxes, related to the net unrealized gain on available-for-sale financial assets for the six months ended June 30, 2007. A net unrealized gain of \$0.127 million was recorded as an adjustment to the opening balance of the AOCI, and a net unrealized gain of \$0.713 million was recorded for the six months ended June 30, 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.

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 amortize 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 recognized 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. Refer to note 7.

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. The Company has not yet assessed the impact of these changes.

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.

	3 Months ended June 30		6 Months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
2. Other Income				
Interest received	2,195	1,356	3,346	1,563
Drilling services	-	40	-	202
	<u>2,195</u>	<u>1,396</u>	<u>3,346</u>	<u>1,765</u>
Interest and financing fees				
Financing fee	-	-	-	2,097
Interest	213	193	463	398
Amortization of deferred borrowing costs	205	-	356	1,553
	<u>418</u>	<u>193</u>	<u>819</u>	<u>4,048</u>

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	June 30 2007	December 31 2006
	\$	\$
3. Restricted cash		
Cash deposits held as security	396	219
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At June 30, 2007 and December 31, 2006, cash deposits were held by the Company's bankers against a rental bond guarantee and trade credit facilities granted to the Company, and deposits held for future mine property rehabilitation.		
4. Accounts Receivable		
Trade receivables	47,858	25,498
Accrued interest income	1,000	1,178
Other receivables	3,457	2,918
	52,315	29,594
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5. Inventories		
Raw materials and stores – at cost	8,816	7,007
Ore stockpiles – at lower of cost or net realizable value	4,362	2,719
Concentrate in stockpiles and in transit – at cost	4,952	8,294
	18,130	18,020
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6. Investments		
Available-for-sale investments at cost	85,106	95,819
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Available-for-sale investments at fair value	85,946	95,946
Less: current portion	(81,158)	-
	4,788	-
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The current 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.		
The non-current portion refers to an investment made in Sub-Sahara NL, an ASX listed company. The investment held at June 30, 2007, represents 12.9% of the total shares on issue.		
7. Deferred financing fees		
Balance at beginning of period	-	1,584
Deferred fees paid and value of options granted	-	977
Amortization	-	(1,770)
Balance at end of period	-	791
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(Expressed in thousands, of U.S dollars, except per share amounts and as otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	June 30 2007	December 31 2006
8. Deferred mining costs	\$	\$
Costs at the beginning of period	-	4,078
Waste stripping costs deferred during the period	6,914	-
Waste stripping costs amortized during the period	-	(4,078)
Costs at end of period	<u>6,914</u>	<u>-</u>

During the six month period ended June 30, 2007, the Group deferred \$6.9 million (six month period ended June 30, 2006 - nil) for deferred stripping costs based on a remaining ore reserves strip ratio of 1.9:1 compared to the actual average strip ratio for the six month period ended June 30, 2007 of 35.6:1 (June 30, 2006 - 9.5:1).

9. 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	9,061	5,267
Expenditure written off	(1,063)	(42)
Exploration and acquisition expenditure at end of period	<u>133,195</u>	<u>127,138</u>

Exploration expenditure⁽¹⁾:

Dikulushi mine and regional projects	3,173	3,637
Mutoshi projects	4,411	2,735
Kinsevere-Nambulwa projects	7,588	4,200
Philippines regional exploration projects	2,908	431
Duc Bo exploration project – Vietnam	-	1,020
	<u>18,080</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	3,173	3,637
Mutoshi projects	32,015	30,339
Kinsevere-Nambulwa projects	95,099	91,711
Philippines regional exploration projects	2,908	431
Duc Bo exploration project – Vietnam	-	1,020
	<u>133,195</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)

10. Property, plant and equipment	June 30 2007		
	Cost \$	Accumulated depletion, amortization and write-down \$	Net book value \$
Dikulushi⁽¹⁾			
Land and buildings	2,296	(1,239)	1,057
Plant and equipment	24,712	(10,523)	14,189
Mine property	11,435	(2,256)	9,179
Construction work in progress	1,269	-	1,269
	<u>39,712</u>	<u>(14,018)</u>	<u>25,694</u>
Kulu⁽²⁾			
Land and buildings	253	(103)	150
Plant and equipment	4,366	(1,893)	2,473
Mine property	10,832	(1,299)	9,533
Construction work in progress	807	-	807
	<u>16,258</u>	<u>(3,295)</u>	<u>12,963</u>
Kinsevere⁽³⁾			
Mine property	8,845	-	8,845
Construction work in progress	47,682	-	47,682
	<u>56,527</u>	<u>-</u>	<u>56,527</u>
Services⁽⁴⁾			
Land and buildings	801	(62)	739
Plant and equipment	3,533	(954)	2,579
Construction work in progress	1,236	-	1,236
	<u>5,570</u>	<u>(1,016)</u>	<u>4,554</u>
Corporate and other⁽⁵⁾	1,957	(563)	1,394
Total	<u>120,024</u>	<u>(18,892)</u>	<u>101,132</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 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)

10. 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
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 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)

		June 30 2007	December 31 2006
		\$	\$
11. Accounts payable and accrued liabilities			
Trade creditors		6,903	6,835
Creditor and other accruals		7,539	7,450
		<u>14,442</u>	<u>14,285</u>
12. Long-term debt facilities			
Fortis Bank facility	12(a)	8,000	12,000
Less: financing fees		(323)	-
		<u>7,677</u>	<u>12,000</u>
Less: current portion		(7,677)	(8,000)
		<u>-</u>	<u>4,000</u>
The scheduled minimum repayments are as follows:			
Financial year 2007		4,000	8,000
Financial year 2008		4,000	4,000
		<u>8,000</u>	<u>12,000</u>

(a) Fortis Bank facility

On June 16, 2006, the Group finalised all documentation for the Fortis Bank ("Fortis") \$15 million finance facility. As at June 30, 2007 the Group had fully drawn down \$15 million of the facility, of which \$7 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 ("AMI"), and Anvil Mining Congo s.a.r.l ("AMC") and Société de Minière de Kolwezi s.p.r.l. ("SMK") (all Anvil Mining Limited Group subsidiaries) respectively.
- (ii) Assignment of specific off-take contracts with Republic House AG and Transamine SAS. 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 AMI, AMC and SMK 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.

13. Purchase consideration payable

At June 30, 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)**14. Asset retirement obligations**

The asset retirement obligation at June 30, 2007 has increased significantly from December 31, 2006 due to the Group's requirement to carry out progressive rehabilitation at the Kinsevere mine.

15. Non-controlling interests

The Group holds an indirect 90% equity interest in AMC 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.

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 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 six months ended June 30, 2007 are as follows:

	June 30	December 31
	2007	2006
	\$	\$
(a) AMC – non-controlling interests		
Balance – beginning of period	6,495	1,661
Amounts disbursed on behalf of the Trusts during the period	(1,930)	(3,224)
Interests in net earnings of AMC	6,246	8,058
Balance – end of period	<u>10,811</u>	<u>6,495</u>
(b) Other subsidiaries – non-controlling interests		
Balance – beginning of period	1,796	61
Interests in net earnings of SMK	321	2,528
Minority shareholding in Enterprise Miniere de Kolwezi SPRL ("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>2,117</u>	<u>1,796</u>
Total non-controlling interests – end of period	<u>12,928</u>	<u>8,291</u>

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

16. Share options and share warrants

(a) Stock option plan

The Company has a Director and Employee Stock Option Plan ("Plan"), under which it may grant options to Directors and employees for up to ten percent of the total shares on issue. At June 30, 2007, the Company is able to issue an additional 4,768,391 (December 2006 - 3,804,421) common shares under the 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:

Canadian Dollar based options

Risk free interest rate:	4.22%
Expected life:	72 months
Expected volatility:	46.0%
Expected dividend yield:	0%

During the six months ended June 30, 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 six months ended June 30, 2006, 75,000 stock options with an exercise price of C\$7.06 each and with a total fair value of \$0.217 million and 50,000 stock options with an exercise price of C\$3.80 each, with a total fair value of \$0.086 million were issued to non-executive Directors pursuant to the terms of the Plan.

During the six months ended June 30, 2007, 807,966 stock options with an exercise price ranging from C\$9.41 to C\$17.04 each, with a total fair value of \$3.550 million were issued to employees under the Plan and 469,332 employee stock options were exercised. During the six months ended June 30, 2006, 533,000 stock options with an exercise price, ranging from C\$3.80 to C\$7.06 each, with a total fair value of \$1.406 million were issued to employees under the Plan and 20,000 employee stock options were exercised.

The stock option expense for the period ended June 30, 2007 amounted to \$1.204 million (six months ended June 30, 2006 – \$0.598 million). As at June 30, 2007, the aggregate fair value of unvested stock options remaining to be charged to income amounted to \$4.400 million (June 30, 2006 – \$1.788 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:**

	June 30, 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\$2.10
Granted under plan	-	-	-	-
Exercised	(335,000)	A\$2.15	(60,000)	A\$1.65
Expired & forfeited	(5,000)	A\$2.60		
Outstanding at the end of period	-	-	340,000	A\$2.16
Options vested and exercisable at the end of the period	-	-	320,000	A\$1.88
Canadian Dollar based options⁽¹⁾				
Outstanding at beginning of period	1,526,334	C\$4.16	740,000	C\$4.16
Granted under plan	882,966	C\$10.67	828,000	C\$6.60
Exercised	(134,332)	C\$4.66	(41,666)	C\$4.98
Outstanding at the end of period	2,274,968	C\$7.53	1,526,334	C\$5.46
Options vested and exercisable at the end of the period	588,445	C\$4.63	308,333	C\$4.24

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

The following table summarizes information about stock options outstanding at June 30, 2007:

Range of exercise prices	Options outstanding			Options exercisable		
	Number of stock options outstanding at June 30, 2007	Weighted average of remaining contractual life (months)	Weighted average exercise price	Number of stock options outstanding at June 30, 2007	Weighted average of remaining contractual life (months)	Weighted average exercise price
C\$3.80	528,334	47	C\$3.80	258,889	47	C\$3.80
C\$4.25-C\$4.66	305,001	40	C\$4.33	200,000	38	C\$4.30
C\$5.20-C\$5.92	80,000	55	C\$5.89	26,667	55	C\$5.89
C\$7.06	308,667	57	C\$7.06	102,889	57	C\$7.06
C\$9.41	600,000	63	C\$9.41	-	-	-
C\$11.06-C\$11.28	145,000	67	C\$11.37	-	-	-
C\$10.54	125,000	67	C\$10.54	-	-	-
C\$12.04	75,000	68	C\$12.04	-	-	-
C\$14.06	67,966	69	C\$14.06	-	-	-
C\$17.04	40,000	71	C\$17.06	-	-	-

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
June 30, 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 Mining Management 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 RMB International (Dublin) Limited ("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.

17. 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 June 30, 2007 is \$2.6 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, subject to certain constraints.

(b) Dikulushi mine

The outstanding capital commitments of the Dikulushi mine contracted for at June 30, 2007 were \$0.7 million (December 31, 2006 - \$3.0 million).

(c) Kulu mine

The outstanding capital commitments of the Kulu mine contracted for at June 30, 2007 were \$0.9 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 June 30, 2007 were \$1.9 million (December 31, 2006 - \$19.0 million).

(e) Anvil Mining Services SPRL

The outstanding capital commitments of Anvil Mining Services contracted for at June 30, 2007 were \$3.1 million (December 31, 2006 \$0.6 million).

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

(f) Central Bank of Congo

AMC entered into an agreement with the Central Bank of Congo, under which AMC is permitted to deposit sales proceeds into bank accounts located outside the DRC. The agreement requires that AMC repatriate no less than 40% of the realized sales receipts, within certain time periods, into AMC's US dollar denominated bank account located in the DRC. At June 30, 2007 the amount to be repatriated was \$10.2 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.

18. Contingent liabilities

At June 30, 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, 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 introduced with the support of the World Bank in 2003 in the DRC.

At June 30, 2007, the government tax authority in the DRC, Direction General Des Imports ("DGI"), has assessed income taxes submitted on expatriate salaries for the period January 2004 to January 2006 against AMC to be \$1.1 million. AMC is contesting this assessment as the present DGI claim does not recognise the exemption granted to AMC under the AMC Mining Convention.

During the quarter ended June 30, 2007, SMK received a notification from the Ministry of Energy, which claimed a payment of \$1.1 million as tax and penalties due to the fact that a group subsidiary does not hold the authorization for using natural water within its concession. Management is contesting this claim.

19. 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 Katanga province of the DRC. 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 Katanga province of the DRC. 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 Katanga province of the DRC. The operation is currently being developed, and will initially produce black copper ingots using an electric arc furnace. Commissioning of the Stage 1 Heavy Media Separation plant commenced in early June 2007. The Stage II development will later produce LME grade A copper cathodes through an Solvent Extraction Electro-winning ("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 three month and six month periods ended June 30, 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	Three months ended June 30, 2007 Total
Concentrate sales	54,842	10,854	-	-	-	65,696
Operating expenses	(12,275)	(8,556)	-	493	-	(20,338)
Amortization	(1,331)	(817)	-	(64)	-	(2,212)
Segmented operating profit (loss)	41,236	1,481	-	429	-	43,146
Interest and financing fees	-	(517)	-	(418)	517	(418)
Other income	76	-	-	4,951	(2,832)	2,195
Other expenses	(1,061)	(1,046)	-	(5,590)	2,315	(5,382)
Segmented profit before under noted items	40,251	(82)	-	(628)	-	39,541
Income taxes	-	(32)	-	(205)	-	(237)
Non-controlling interest	(3,965)	23	-	-	-	(3,942)
Segmented profit	36,286	(91)	-	(833)	-	35,362
Property, plant and equipment	25,695	12,962	56,527	5,948	-	101,132
Total assets	133,404	33,350	81,640	364,313	-	612,707
Capital expenditures	(2,869)	(700)	(4,490)	(35)	-	(8,094)

	Dikulushi	Kulu	Kinsevere	CDA	Inter-segment	Three months ended June 30, 2006 Total
Concentrate sales	38,372	4,593	-	-	-	42,965
Operating expenses	(12,358)	(613)	-	(508)	-	(13,479)
Amortization	(1,231)	(351)	-	(235)	-	(1,817)
Segmented operating profit (loss)	24,783	3,629	-	(743)	-	27,669
Interest and financing fees	-	-	-	(193)	-	(193)
Other income	58	-	-	1,752	(414)	1,396
Other expenses	(325)	(1,015)	-	(1,378)	414	(2,304)
Segmented profit before under noted items	24,516	2,614	-	(562)	-	26,568
Income taxes	-	-	-	(834)	-	(834)
Non-controlling interest	(2,451)	(784)	-	-	-	(3,235)
Segmented profit	22,065	1,830	-	(1,396)	-	22,499
Property, plant and equipment	18,154	10,861	2,908	3,199	-	35,122
Total assets	63,769	6,224	5,216	170,245	-	245,454
Capital expenditures	(2,559)	(673)	(1,048)	(221)	-	(4,501)

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	Dikulushi	Kulu	Kinsevere	CDA	Inter- segment	Six months ended June 30, 2007 Total
Concentrate sales	88,040	19,692	-	-	-	107,732
Operating expenses	(20,823)	(12,546)	-	-	-	(33,369)
Amortization	(2,540)	(1,167)	-	(325)	-	(4,032)
Segmented operating profit (loss)	64,677	5,979	-	(325)	-	70,331
Interest and financing fees	-	(1,045)	-	(819)	1,045	(819)
Other income	126	-	-	7,531	(4,311)	3,346
Other expenses	(1,749)	(2,481)	-	(7,839)	3,266	(8,803)
Segmented profit before under noted items	63,054	2,453	-	(1,452)	-	64,055
Income taxes	-	(843)	-	(205)	-	(1,048)
Non-controlling interest	(6,245)	(322)	-	-	-	(6,567)
Segmented profit	56,809	1,288	-	(1,657)	-	56,440
Property, plant and equipment	25,695	12,962	56,527	5,948	-	101,132
Total assets	133,404	33,350	81,640	364,313	-	612,707
Capital expenditures	(3,961)	(739)	(25,405)	(70)	-	(30,175)

	Dikulushi	Kulu	Kinsevere	CDA	Inter- segment	Six months ended June 30, 2006 Total
Concentrate sales	67,090	9,088	-	-	-	76,178
Operating expenses	(25,484)	(3,239)	-	(589)	-	(29,312)
Amortization	(2,378)	(799)	-	(447)	-	(3,624)
Segmented operating profit (loss)	39,228	5,050	-	(1,036)	-	43,242
Interest and financing fees	(2,696)	-	-	(1,352)	-	(4,048)
Other income	73	-	-	2,816	(1,124)	1,765
Other expenses	(785)	(1,306)	-	(3,707)	1,124	(4,674)
Segmented profit (loss) before under noted items	35,820	3,744	-	(3,279)	-	36,285
Income taxes	-	-	-	(830)	-	(830)
Non-controlling interest	(3,582)	(1,123)	-	-	-	(4,705)
Segmented profit (loss)	32,238	2,621	-	(4,109)	-	30,750
Property, plant and equipment	18,154	10,861	2,908	3,199	-	35,122
Total assets	63,769	6,224	5,216	170,245	-	245,454
Capital expenditures	(3,499)	(608)	(1,372)	(1,621)	-	(7,100)

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

The operations in DRC comprise the Dikulushi copper-silver mine, Kulu copper mine, Kinsevere copper-cobalt 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 Vietnam operations comprise the exploration interests in Vietnam. The Group's Philippines operations comprise interests in 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, Kulu and Kinsevere mines. The total assets located by geographic areas are as follows:

Total assets - Geographical Reporting	June 30 2007	December 31 2006
	\$	\$
Democratic Republic of Congo	326,144	232,941
Zambia	1,015	678
Vietnam	-	1,021
Philippines	3,068	431
Australia ⁽¹⁾	2,056	52,753
Canada ⁽¹⁾	280,424	114,662
	612,707	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 are 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Democratic Republic of Congo	65,696	42,965	107,732	76,178

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

20. Earnings per share

	3 Months ended June 30		6 Months ended June 30	
	2007 \$	2006 \$	2007 \$	2006 \$
Basic earnings per share	0.58	0.42	0.96	0.71
Diluted earnings per share	0.57	0.41	0.94	0.69
Weighted average number of ordinary shares outstanding - basic earnings per share	60,946,322	53,904,850	58,850,786	43,061,295
Weighted average number of ordinary shares outstanding - diluted earnings per share	62,256,234	55,397,817	60,275,563	44,512,131

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

	Income \$	Shares Number	Quarter ended June 30 2007
			\$ per share amount
Basic earnings per share			
Income available to shareholders	35,362	60,946,322	0.58
Effect of dilutive securities:			
Options and warrants	-	1,309,912	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	35,362	62,256,234	0.57

	Income \$	Shares Number	Quarter ended June 30 2006
			\$ 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

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

			Six months ended June 30 2007
	Income \$	Shares Number	Cents per share amount
Basic earnings per share			
Income available to shareholders	56,440	58,850,786	0.96
Effect of dilutive securities:			
Options and warrants	-	1,424,777	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	56,440	60,275,563	0.94
			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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**21. Supplementary cash flow information**

	3 Months Ended June 30		6 Months Ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Changes to non-cash working capital				
Accounts receivable	(12,535)	(10,197)	(22,721)	(24,252)
Inventories	404	(4,704)	(110)	(4,301)
Prepaid expenses and deposits	(3,527)	216	(4,009)	(181)
Deferred mining	(6,914)	1,872	(6,914)	2,579
Accounts payable and accrued liabilities	736	(689)	157	(341)
Income taxes	(3,027)	816	(1,728)	643
Other liabilities	130	(790)	235	(279)
	<u>(24,733)</u>	<u>(13,476)</u>	<u>(35,090)</u>	<u>(26,132)</u>
(b) Other information				
Interest and financing fees paid	(213)	(9)	(463)	(3,853)
Income tax paid	(3,263)	-	(3,263)	-

22. Subsequent Events

On July 26, 2007, the Company completed its acquisition of an additional 30 million shares in Sub-Sahara Resources NL for AUD\$2.4 million. This acquisition gives the Company a total holding of 90 million shares in Sub-Sahara, representing approximately 18% of the total shares on issue. The financial effect of the additional 30 million shares acquired is not reflected in the financial statements as at June 30, 2007.