

Anvil Mining Limited

Consolidated Financial Statements

As at and for the year ended December 31, 2007

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

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Anvil Mining Limited were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

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

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

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

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

(Signed) William S. Turner

(Signed) Craig R. Munro

President and Chief Executive Officer

Senior Vice President Corporate and Chief Financial Officer

February 26, 2008

Auditors' Report to the Shareholders of Anvil Mining Limited

We have audited the consolidated balance sheets of Anvil Mining Limited as at December 31, 2007 and 2006 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario, Canada

February 26, 2008

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

Consolidated Balance Sheets

	Notes	December 31 2007 \$	December 31 2006 \$
ASSETS			
Current assets			
Cash and cash equivalents		215,754	59,302
Restricted cash	5	322	219
Accounts receivable	6	65,761	29,594
Inventories	7	32,221	18,020
Investments	8	63,800	95,819
Prepaid expenses and deposits		21,449	6,936
		<hr/>	<hr/>
		399,307	209,890
Equity accounted investment	9	5,766	-
Long term receivable		3,966	-
Deferred financing fees	10	-	791
Deferred mining costs	11	-	-
Exploration and acquisition expenditure	12	49,680	127,138
Property, plant and equipment	13	228,052	63,930
Future income tax asset	4	1,884	737
		<hr/>	<hr/>
		688,655	402,486
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	25,044	14,285
Income taxes payable		5,116	3,281
Other liabilities		1,296	676
Current portion of long term debt	15	-	8,000
Purchase consideration payable	16	-	46,250
		<hr/>	<hr/>
		31,456	72,492
Long-term debt	15	-	4,000
Future income tax liability	4	39,587	36,505
Asset retirement obligations	17	11,668	1,402
		<hr/>	<hr/>
		82,711	114,399
Non-controlling interest	18	13,880	8,291
		<hr/>	<hr/>
		96,591	122,690
Shareholders' equity			
Equity accounts		382,108	186,523
Retained earnings		209,524	92,714
Accumulated other comprehensive income		432	559
Total shareholders' equity		<hr/>	<hr/>
		592,064	279,796
		<hr/>	<hr/>
		688,655	402,486
Commitments	20		
Subsequent events	21		

Approved by the Board of Directors

William S. Turner

Thomas C. Dawson

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

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

Consolidated Statements of Income and Comprehensive Income

	Notes	Year Ended December 31 2007 \$	Year Ended December 31 2006 \$
Concentrate sales		263,234	175,443
Operating expenses	18(d)	(85,785)	(60,845)
Amortization		(17,163)	(7,561)
		<u>160,286</u>	<u>107,037</u>
Other income	3	11,852	5,974
General, administrative and marketing		(14,841)	(10,134)
Provision for impairment of investments	8	(9,367)	-
Exploration expenditure written off		(4,389)	(42)
Foreign exchange gains/(losses)		95	(370)
Stock based compensation		(2,484)	(1,367)
Interest and financing fees	3	(2,242)	(4,505)
Earnings before income tax and non-controlling interest		<u>138,910</u>	<u>96,593</u>
Income tax	4 (a)	(8,537)	(3,830)
Non-controlling interest		(13,209)	(10,586)
Net Income		<u>117,164</u>	<u>82,177</u>
Other comprehensive income, net of taxes:			
Net unrealized gains / (losses) on available-for-sale securities		(254)	-
Total comprehensive income		<u>116,910</u>	<u>82,177</u>
Basic earnings per share (\$)	24	1.81	1.65
Diluted earnings per share (\$)	24	1.77	1.61

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

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

Consolidated Statements of Cash Flows

	Notes	Year Ended December 31 2007 \$	Year Ended December 31 2006 \$
Cash flows from operating activities			
Net income for the year		117,164	82,177
Items not affecting cash			
Amortization		17,163	7,561
Provision for impairment of investments		9,367	-
Exploration expenditure written off		4,389	42
Non-controlling interest		13,209	10,586
Borrowing costs - amortized		715	1,770
Unrealized foreign exchange gains		(169)	(2,048)
Future tax		1,935	549
Stock based compensation		2,484	1,367
Changes in non-cash working capital	25	(42,932)	(21,637)
		<u>123,325</u>	<u>80,367</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(91,961)	(39,276)
Proceeds from sale of assets		11	84
Payment for acquisition of initial interest in Mutoshi Project		-	(6,491)
Payments for exploration and evaluation expenditure		(20,377)	(4,412)
Payment for acquisition of additional interest in AMCK Mining s.p.r.l.		(36,000)	(10,000)
Payment for investment in Sub-Sahara		(6,090)	-
Payment for acquisition of additional interest in Emiko s.p.r.l.		-	(9,873)
Payments for investments		-	(132,288)
Proceeds of principal repayments from investments		22,996	36,469
		<u>(131,421)</u>	<u>(165,787)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of issue expenses)		183,666	139,398
Proceeds from borrowings (net of fees incurred)			14,250
Payment for borrowing fees		(115)	-
Movement in restricted cash		(103)	-
Repayment of borrowings		(12,000)	(13,646)
Disbursements on behalf of Dikulushi trusts		(7,620)	(3,224)
		<u>163,828</u>	<u>136,778</u>
Net increase/ (decrease) in cash and cash equivalents			
		155,732	51,358
Cash and cash equivalents at beginning of the year		59,302	7,945
Effects of exchange rate changes on cash held in foreign currencies		720	(1)
Cash and cash equivalents at end of the year		<u>215,754</u>	<u>59,302</u>

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

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

Consolidated Statements of Changes in Shareholders' Equity

	December 31, 2007		December 31, 2006	
	Number	Amount	Number	Amount
Common shares				
Balance at beginning of year	56,707,554	183,503	29,086,847	35,077
Exercise of stock options	550,982	2,439	101,666	5,278
Share issue	12,384,615	188,771	23,000,000	128,359
Exercise of warrants	600,000	3,694	-	-
Conversion of special warrants to common shares		-	2,620,000	14,807
Conversion of ordinary warrants to common shares		-	1,296,631	3,998
Issue of shares for acquisition	872,093	9,000	602,410	4,000
Shares issue expenses		(10,057)		(8,016)
Balance at end of year	71,115,244	377,350	56,707,554	183,503
Contributed surplus				
Balance at beginning of year		3,020		6,674
Employee stock based compensation recognised		2,484		1,367
Transfer to common shares		(746)		(5,021)
Balance at end of year		4,758		3,020
Equity accounts				
		382,108		186,523
Retained earnings				
Balance at beginning of year		92,714		10,537
Adjustment to opening retained earnings ⁽¹⁾		(190)		-
Share of loss in equity accounted investments		(164)		-
Net income for the year		117,164		82,177
Balance at end of year		209,524		92,714
Accumulated other comprehensive income				
Balance at beginning of year		559		559
Adjustment to opening other comprehensive income ⁽¹⁾		127		-
Net change in unrealized gains/(losses) on available for sale securities		(254)		-
Balance at end of year		432		559
Shareholders' equity at end of year				
		592,064		279,796

⁽¹⁾ This treatment is in accordance with the new financial instruments accounting standard. Refer to significant accounting policies note 2.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Anvil Mining Limited (the “Company”) and its subsidiaries (the “Group” or “Anvil”) operate in one operating segment, namely the acquisition, exploration, development and mining of mineral properties. Its principal assets are a 90% interest in the Dikulushi copper-silver mine (the “Dikulushi mine”), an 80% interest in the Kulumaziba copper mine (the “Kulu mine”), a 95% interest in the Kinsevere-Nambulwa copper project (“Kinsevere”) and the associated Dikulushi, Mutoshi and Kinsevere-Nambulwa exploration tenements situated in the Democratic Republic of Congo (“DRC”). Anvil also holds interests in other exploration properties in the DRC, Zambia and South East Asia.

Anvil’s cash flow and profitability are affected by the market price of copper and silver, operating costs and exploration and development activity costs. The recoverability of the amounts shown in the consolidated balance sheet for deferred exploration and mine properties is dependent upon the existence of economically recoverable reserves.

2. Summary of significant accounting policies

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

a) Basis of consolidation

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

b) Use of estimates

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

c) Reporting currency

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

d) Foreign currency translations

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

e) Revenue recognition

Revenue from sales of copper-silver concentrate is recorded net of smelter treatment charges and deductions. Copper products are sold under pricing arrangements whereby final prices are determined at a specified future date based on market copper prices. Revenue is recognised when title and risk pass to the customer using forward prices for the expected date of final settlements. Changes between the prices recorded upon recognition of revenue and final price due to fluctuation in copper market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue. At December 31, 2007, the Company had 2,744 tonnes of contained copper that had been provisionally priced at an average LME copper price of \$2.98 per pound.

f) Cash and cash equivalents

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

g) Receivables

All receivables are recognized at the amounts due for settlement no more than 60 days from the date of recognition. The collectibility of receivables is reviewed on an ongoing basis. Accounts, which are known to be uncollectible, are written off. A provision for impairment is recognized when there is evidence that the Company will not be able to collect all amounts due.

h) Inventories

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

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

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

i) Transaction costs

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

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

At December 31, 2006, the Group had \$0.79 million of capitalized financing fees that related to the loans payable to Fortis Bank ("Fortis"). Changes to the Canadian Institute of Chartered Accountants ("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 as at January 1, 2007.

j) Deferred mining costs

Certain mining costs, principally those that relate to the stripping of waste and which relate to the future economically recoverable ore to be mined, have been capitalised. These costs are deferred or taken to the production cost as the case may be, so that each tonne of ore mined bears the average cost of waste removal per tonne of ore, as determined by the waste to ore ratio derived from the current pit plan. The waste to ore ratio is regularly assessed by management to ensure the carrying value and the rate of deferral is appropriate. The Company has adopted, on a prospective basis, the new recommendations of the CICA with respect to stripping charges, EIC 160 Stripping Costs Incurred in the Production Phase of a Mining Operation (“EIC 160”). The new recommendations require the costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations to be charged to income in the year in which they are incurred, except when the costs represent a betterment to the mineral property. Costs represent a betterment when the stripping activity provides access to reserves that would not have been accessible in the absence of the stripping activity. When costs are deferred in relation to betterment, the costs are amortized over the reserves accessed by the stripping activity using the units of production method. As at December 31, 2007 the balance of deferred stripping costs of \$7.8 million was transferred to Mine properties. In accordance with EIC 160, the carrying value of the deferred stripping costs will be amortized over the life of the related mining assets on a unit of production basis.

k) Exploration, evaluation and development expenditure

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

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

If, after management review, it is determined that the carrying amount of an exploration property is impaired, that property is written down to its estimated fair value. An exploration property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

l) Property, plant and equipment

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

The expected useful lives are as follows:

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

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

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable based on future undiscounted cash flows. When assets are determined to be impaired, recorded asset values are revised to fair value and an impairment loss is recognized.

Construction in progress is accumulated and carried forward at cost until the construction is complete. On completion the asset is transferred to property, plant and equipment and is amortized over its expected useful life.

m) Mine properties

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

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

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

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

n) Asset retirement obligations

The Company records asset retirement obligations at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the Company's credit adjusted risk free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted over time to its full value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset.

o) Income tax

The Company accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of changes in tax rates is recognized in income in the year in which the change is applied. Future tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not they will be realized.

p) Earnings per share

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

q) Stock-based compensation

The Company accounts for stock options granted to employees and directors using the fair value method. For option awards, fair value is measured at the grant date using a Black-Scholes valuation model and is recognized as a charge to compensation expense and an increase in contributed surplus over the vesting period of the options granted. Cash Consideration received from employees when they exercise the option is credited to share capital.

r) Investments

Investments are classified as available-for-sale and recorded at fair value. Changes in their fair value net of tax are recorded in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired. Valuations of the investments have been determined based on a hierarchy of valuation principles, which have been applied based on publicly available information. The valuation approach applied is as follows:

- fair values of instruments traded in active markets are based on quoted market prices at the reporting date.
- where instruments are not traded in an active market, fair value is determined using valuation techniques taking into account market information for financial instruments with similar characteristics as the underlying instrument being valued.
- where there is no comparable market information to determine the fair value of the instrument, fair value is calculated using other techniques, such as estimated discounted cash flows using contractual terms of the instrument, discount rates considered appropriate for the credit risk of the instrument and the current volatility in the market place.

When information or events indicate other than a temporary decline in value, the impairment loss is taken to the income statement in the period in which such events occur. Impairment losses recognized in net income for a financial instrument classified as available for sale are not reversed.

Equity Accounted Investments

Investments in which the company has significant influence but does not have control are accounted for using the equity method. Under the equity method the investment is initially recorded at cost and the carrying value is adjusted thereafter, semi-annually in arrears, to reflect the Company's pro-rata share of post acquisition income or loss. The amount of adjustment is included in the determination of net income of the Company, and the investment account of the Company is also increased or decreased to reflect the Company's share of capital transactions and changes in accounting policies. The carrying values of equity investments are regularly reviewed against market values, based on closing prices of recognised security exchanges, to ensure there is no impairment. When there is a loss in value other than temporary decline, the investment is written down to recognise the loss.

s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

t) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

u) Significant accounting changes

On January 1, 2007, the Group adopted two new accounting standards that were issued by the CICA: Handbook Section 1530, Comprehensive Income and Handbook Section 3855, Financial Instruments-Recognition and Measurement. The Group has not restated prior years and comparative amounts, as these new standards have been adopted prospectively with retrospective treatment of transitional adjustments 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 year 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 years 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 recognized in the AOCI \$0.13 million, net of taxes, related to the net unrealized loss on available-for-sale financial assets for the year ended December 31, 2007. A net unrealized gain of \$0.13 million was recorded as an adjustment to the opening balance of the AOCI, and a net unrealized loss of \$0.26 million was recorded for the year ended December 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.

CICA 1506 Accounting Changes

In July 2006, the Accounting Standards Board issued a replacement of the CICA Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior year errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Future Changes - 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 standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning 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. The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

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

	Year Ended December 31 2007	Year Ended December 31 2006
	\$	\$
3. Other Income and interest and financing fees		
Interest received	11,936	5,296
Other Income/ (Expenses)	(84)	678
	<u>11,852</u>	<u>5,974</u>

Interest and financing fees

Financing fee	-	2,227
Interest	1,536	508
Amortization of deferred borrowing costs	-	1,770
Accretion of asset retirement obligation	706	-
	<u>2,242</u>	<u>4,505</u>

	Year Ended December 31 2007	Year Ended December 31 2006
	\$	\$

4. Income tax

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

Earnings before income tax and non controlling interest	<u>138,910</u>	<u>96,593</u>
Income taxes at Canadian statutory rates – 32% (2006 – 32%)	44,479	30,910
Difference in tax rates	(39,871)	(27,358)
Non-deductible expenses	390	3
Tax losses recognised and other	-	(270)
Differences in tax and accounting treatment	3,539	545
Taxation expense	<u>8,537</u>	<u>3,830</u>
Comprising:		
Current income taxes	6,602	3,281
Future income taxes	1,935	549

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

	December 31 2007 \$	December 31 2006 \$
(b) Future Tax		
Exploration expenditure	34,164	35,223
Non-capital loss carry forwards	1,763	2,764
Other temporary differences	3,539	545
	<hr/> 39,466	<hr/> 38,532
Valuation allowance	(1,763)	(2,764)
Net future tax liability	<hr/> 37,703	<hr/> 35,768
Future tax liability	39,587	36,505
Future tax asset	(1,884)	(737)
	<hr/> 37,703	<hr/> 35,768

The Company has Canadian non-capital loss carry-forwards as at December 31, 2007 of \$5.5 million (December 31, 2006 - \$8.6 million) that are available for tax purposes and which expire after twenty years. The use of these losses arising from operating losses and exploration and development expenditures are subject to certain restrictions.

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

<u>Canadian Non-capital tax loss carry-forwards</u>	<u>Year of Expiry</u>
\$4.0 million	2025
\$1.5 million	2027
<hr/> \$5.5 million	

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

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

(i) The Convention holder elected, as entitled, to adopt the more favourable rate of 30%.

The Kulu and Kinsevere mines operate under the fiscal regime at the time the DRC Mining Code came into effect in June 2003. The DRC Professional income tax rate applicable to the Kulu and Kinsevere mine operations is 30%.

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

	December 31 2007	December 31 2006
	\$	\$
5. Restricted cash		
Cash deposits held as security or on escrow	322	219

At December 31, 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.

	December 31 2007	December 31 2006
	\$	\$
6. Accounts receivable		
Trade receivables	59,366	25,498
Accrued interest income	598	1,178
Advances to suppliers and contractors	5,045	2,210
Other	752	708
	<u>65,761</u>	<u>29,594</u>

	December 31 2007	December 31 2006
	\$	\$
7. Inventories		
Raw materials and stores – at cost	11,997	7,007
Ore stockpiles – at cost	8,504	2,719
Concentrate in stockpiles and in transit – at cost	11,720	8,294
	<u>32,221</u>	<u>18,020</u>

	December 31 2007	December 31 2006
	\$	\$
8. Investments		
Available-for-sale investments at cost	<u>73,295</u>	<u>95,819</u>
Available-for-sale investments at fair value	63,800	95,946

During the year the Company recognized an impairment loss of \$9.4 million relating to certain investments, which was recognized in the income statement. Mark to market movements related to all other available for sale investments was a loss for the year of \$0.25 million and was recorded as part of other comprehensive income.

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

9. Equity Accounted Investments**a) Carrying amounts**

Name of Company	December 31, 2007			December 31, 2006		
	Ownership interest %	No. Shares	\$	Ownership interest %	No. Shares	\$
Sub-Sahara Resources NL ("SBS")	18	90,000,000	5,667	-	-	-

SBS is incorporated in Australia and listed on Australian Stock Exchange.

	December 31 2007	December 31 2006
	\$	\$
b) Movements in carrying amounts		
Opening carrying value in SBS – at cost	-	-
Cost of investments purchased during the year	5,830	-
Share of (loss)	(164)	-
Carrying value at end of the year	5,666	-

c) Options

Name of Company	Expiry	December 31, 2007		December 31, 2006		
		No. Options	Exercise Price	Expiry	No. Options	Exercise Price
SBS	July 2009	25,000,000	A\$0.15	-	-	-
Fair Value of Options on acquisition of shares			260			-
Mark to Market			(160)			-
Closing Fair Value			100			-
Equity Accounted Investments			5,766			-

	December 31 2007	December 31 2006
	\$	\$
10. Deferred financing fees		
Balance at beginning of year	-	1,584
Deferred fees paid and value of options granted	-	977
Amortization	-	(1,770)
Balance at end of year	-	791

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

	December 31 2007	December 31 2006
	\$	\$
11. Deferred mining costs		
Costs at the beginning of year	-	4,078
Waste stripping costs deferred during the year	7,778	-
Waste stripping costs amortized during the year	-	(4,078)
Transfer to mine properties	(7,778)	-
Costs at end of year	-	-

	December 31 2007	December 31 2006
	\$	\$
12. Exploration and acquisition expenditure		
Exploration and acquisition expenditure at beginning of year	127,138	27,578
Expenditure transferred to mine properties	(92,196)	(1,699)
Fair value of exploration properties acquired	-	96,034
Expenditure incurred	20,377	5,267
Waiver of purchase consideration payable	(1,250)	-
Expenditure written off	(4,389)	(42)
Exploration and acquisition expenditure at end of year	49,680	127,138
Exploration expenditure ⁽¹⁾ :		
Dikulushi mine and regional projects	5,100	3,637
Mutoshi projects	6,200	2,735
Kinsevere-Nambulwa projects	7,299	4,200
Philippines regional exploration projects	3,270	431
Duc Bo exploration project – Vietnam	-	1,020
	21,869	12,023
Acquisition expenditure ⁽²⁾ :		
Mutoshi projects	26,354	27,604
Kinsevere-Nambulwa projects	1,457	87,511
	27,811	115,115
Total Exploration and Acquisition expenditure	49,680	127,138
Total exploration and acquisition expenditure		
Dikulushi mine and regional projects	5,100	3,637
Mutoshi projects	32,554	30,339
Kinsevere-Nambulwa projects	8,756	91,711
Philippines regional exploration projects	3,270	431
Duc Bo exploration project – Vietnam	-	1,020
	49,680	127,138

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 US dollars, except per share amounts and as otherwise stated)

13. Property, plant and equipment	December 31		
	2007		
	Cost	Accumulated depletion, amortization and write-down	Net book value
	\$	\$	\$
Dikulushi⁽¹⁾			
Land and buildings	2,958	(1,530)	1,428
Plant and equipment	26,112	(13,049)	13,063
Mine property	19,440	(5,452)	13,988
Construction work in progress	2,606	-	2,606
	51,116	(20,031)	31,085
Kulu⁽²⁾			
Land and buildings	277	(45)	232
Plant and equipment	5,784	(2,825)	2,959
Mine property	10,832	(2,057)	8,775
Construction work in progress	2,197	-	2,197
	19,090	(4,927)	14,163
Kinsevere⁽³⁾			
Land and buildings	4,865	(528)	4,337
Plant and equipment	25,787	(4,887)	20,900
Mine property	112,770	(4,425)	108,345
Construction work in progress	41,865	-	41,865
	185,287	(9,840)	175,447
Services⁽⁴⁾			
Land and buildings	801	(92)	709
Plant and equipment	4,344	(1,589)	2,755
Construction work in progress	1,749	-	1,749
	6,894	(1,681)	5,213
Corporate and other⁽⁵⁾	2,621	(477)	2,144
Total	265,008	(36,956)	228,052

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 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, Canada and Philippines.

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

13 Property, plant and equipment (cont.)	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
	36,480	(14,750)	21,730
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
	15,169	(2,148)	13,021
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
	4,632	(594)	4,038
Corporate and other⁽⁵⁾			
	724	(238)	486
Total	81,660	(17,730)	63,930

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 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, Canada and Philippines.

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

	December 31 2007 \$	December 31 2006 \$
14. Accounts payable and accrued liabilities		
Trade creditors	10,217	6,835
Creditor and other accruals	14,827	7,450
	<u>25,044</u>	<u>14,285</u>
15. Long-term debt facilities	December 31 2007 \$	December 31 2006 \$
Fortis Bank facility	-	12,000
Less: financing fees	-	-
	<u>-</u>	<u>12,000</u>
Less: current portion	-	(8,000)
	<u>-</u>	<u>4,000</u>
The scheduled minimum repayments are as follows:		
Financial year 2007	-	8,000
Financial year 2008	-	4,000
	<u>-</u>	<u>12,000</u>

(a) Fortis Bank facility

On September 16, 2006, the Group finalised all documentation for the Fortis \$15 million finance facility. As at December 31, 2006 the Group had fully drawn down \$15 million of the facility, of which \$3 million had been repaid. The loan bears interest at the London Interbank Offer Rate ("LIBOR") + 2.92% per annum. As at December 31, 2007 the loan was fully repaid.

16. Purchase consideration payable**Mutoshi Acquisition**

At December 31, 2006 \$1.25 million purchase consideration for the initial acquisition of the 70% interest in Mutoshi had not been settled, as the legal documentation regarding a tenement transfer had not been completed. During the current year, an agreement was concluded whereby the seller shall forfeit the claim for the remaining purchase consideration payable and the Company agreed not to pursue the seller for the remaining tenement.

Kinsevere acquisition of additional 15% interest

In December 2006, the Group acquired an additional 15% interest in the mining rights for the Kinsevere-Nambulwa copper-cobalt deposits from Mining Company Katanga s.p.r.l., a private DRC company that is Anvil's joint venture partner in the project. The consideration was \$45 million, \$36 million in cash, and \$9 million in common shares (872,093) at \$10.32 per share).

17. Asset retirement obligation

The Company has restoration and remediation obligations associated with its operating mines and processing facilities. The following table summarizes the movements in the asset retirement obligation for the years ended December 31, 2007 and 2006:

	December 31	December 31
	2007	2006
	\$	\$
At January 1	1,402	778
Obligation incurred	9,560	551
Accretion expense	706	73
At December 31	<u>11,668</u>	<u>1,402</u>

The asset retirement obligations have been recorded initially as a liability at fair value, assuming a credit adjusted risk-free discount rate between 7.38% and 7.89%. Although the ultimate amount to be incurred is uncertain, management has at December 31, 2007 revised the estimated liability and the asset retirement cost has been based on management's revision of the independent Environmental Impact Assessment, completed for the Kulu operation in May 2005 and Kinsevere operation in December 2007, and the Revised Environmental Impact Statement, completed for the Dikulushi operation in August 2006. The Kinsevere operation is based on a continuing expected life of mine of 19 years and total undiscounted amount of estimated cash flows of \$27.0 million. Payments are expected to occur over a period exceeding 19 years. During the year ended December 31, 2007 the accretion expense in relation to the liability was \$0.7 million (year ended December 31, 2006: \$0.07 million).

The commencement of production at the Kinsevere mine has resulted in an initial asset retirement obligation of \$9.6 million recognized during the year.

18. Non-controlling interests and Social Development Expenditure

The Group holds an indirect 90% equity interest in Anvil Mining Congo s.a.r.l. ("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 that hold the remaining 10% equity interest.

The Group also holds an indirect 80% interest in Société Minière de Kolwezi SPRL ("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 the owner and operator of the Kinsevere mine.

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

The movements in non controlling interests during the year ended December 31, 2007 are as follows:

	December 31	December 31
	2007	2006
(a) AMC – non-controlling interests	\$	\$
Balance – beginning of year	6,495	1,661
Amounts disbursed on behalf of the Trusts during the year	(7,620)	(3,224)
Interests in net earnings of AMC	12,486	8,058
Balance – end of year	<u>11,361</u>	<u>6,495</u>
(b) SMK – non controlling interest		
Balance – beginning of year	1,784	61
Interests in net earnings of SMK	179	2,528
Minority shareholding in Entreprise Minière de Kolwezi SPRL (“Emiko”) (12.5%) – owner of 80% interest in SMK	-	551
Non-controlling interest bought back via purchase of 12.5% shares in Emiko	-	(1,356)
Balance – end of year	<u>1,963</u>	<u>1,784</u>
(c) AMCK – non controlling interests		
Balance – beginning of year	12	-
Interests in net earnings of AMCK	544	-
Minority shareholding in AMCK (20%)	-	46
Non-controlling interest bought back via purchase of 15% shares in AMCK	-	(34)
Balance – end of year	<u>556</u>	<u>12</u>
Total non-controlling interests – end of year	<u>13,880</u>	<u>8,291</u>
(d) Social development expenditure		-
Social development expenses in operating expense (Kulu and Kinsevere)	3,401	-
Social development expenses disbursed on behalf of the Trust as disclosed in non controlling interest (Dikulushi)	7,620	3,224
Total Social development expenditure	<u>11,021</u>	<u>3,224</u>

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

19. Common shares, share options and share warrants**(a) Issued:**

	December 31 2007		December 31 2006	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance – Beginning of year	56,707,554	183,503	29,086,847	35,077
Exercise of stock options (i)	550,982	2,439	101,666	5,278
Share issue (ii)	12,384,615	188,771	23,000,000	128,359
Exercise of Warrants (i),(iii)	600,000	3,694	-	-
Conversion of special warrants to common shares (iv)	-	-	2,620,000	14,807
Conversion of ordinary warrants to common shares (i)	-	-	1,296,631	3,998
Issue of shares for acquisitions (v)	872,093	9,000	602,410	4,000
Share issue expenses (vi)	-	(10,057)	-	(8,016)
Balance – End of year	<u>71,115,244</u>	<u>377,350</u>	<u>56,707,554</u>	<u>183,503</u>

- (i) During the year ended December 31, 2007, employee stock option and warrant holders exercised their options/warrants over 1,150,982 (December 31, 2006: 1,398,297) common shares. The transfer from Contributed Surplus relates to the fair value ascribed to stock options/warrants exercised during the year.
- (ii) In June 2007, the Company completed a bought deal financing when it issued an aggregate of 12,384,615 common shares. The common shares were issued at a price of C\$16.25 per share for total gross proceeds of C\$201,249,994. The issue included 1,615,385 common shares issued pursuant to the exercise of an over-allotment option granted to the underwriters.
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) 600,000 warrants issued to Deans Knight Capital Management Ltd were exercised at C\$6.25 per share in December 2007.
- (iv) On December 16, 2004, the Company completed the sale of 5,240,000 special warrants convertible at a price of C\$5.25 each through a brokered private placement. A total of 2,000,000 of the special warrants were immediately converted into 2,000,000 common shares and 999,952 share purchase warrants as allowed under the Australian Stock Exchange 15% placement capacity rule. The balance of 3,240,000 special warrants was convertible to common shares and one half of a share purchase warrant (1,620,048 warrants) for each special warrant on receipt of shareholders' approval at a meeting held on January 20, 2005. By June 19, 2006, all 2,620,000 share purchase warrants exercisable at C\$6.25 per share, with an original expiry date of December 16, 2007 and subsequently accelerated to June 5, 2006, were exercised.
- (v) On March 30, 2007, the Company issued 872,093 common shares at US\$10.32 per share as part consideration for an additional 15% interest in AMCK, the holder of the mining rights for the Kinsevere-Nambulwa copper-cobalt deposits.
On September 11, 2006, the Company issued 602,410 common shares at US\$6.64 per share as part consideration for an additional 10% interest in AMCK.
- (vi) The total share issue expenses relating to the bought deal financing described in (ii) above amounted to \$10.1 million.
The total share issue expenses relating to the brokered private placement described in (ii) above amounted to \$8.0 million.

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

(b) Stock option plan

The Company has a Director and Employee Stock Option Plan (the "Plan"), under which it may grant options to directors and employees of the Company for up to ten percent of the total shares on issue. At December 31, 2007, the Company is able to issue an additional 4,948,645 (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 Plan are as follows:

Canadian Dollar based options

Risk free interest rate:	4.24%
Expected life:	72 months
Expected volatility:	46.1%
Expected dividend yield:	0%

During the year ended December 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 year ended December 31, 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 year ended December 31, 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 550,982 employee stock options were exercised. During the year ended December 31, 2006, 703,000 stock options with an exercise price, ranging from C\$3.80 to C\$11.28 each, with a total fair value of \$2 million were issued to employees under the Plan and 85,000 employee stock options were exercised.

The stock option expense for the year ended December 31, 2007 amounted to \$2.48 million (year ended December 31, 2006 – \$1.37 million). As at December 31, 2007, the aggregate fair value of unvested stock options remaining to be charged to income amounted to \$3.1 million (December 31, 2006 – \$1.71 million).

Outstanding stock options:

	December 31, 2007		December 31, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Australian Dollar based options				
Outstanding at beginning of year	340,000	A\$2.16	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 year	-	-	340,000	A\$2.16
Options vested and exercisable at the end of the year	-	-	320,000	A\$1.88
Canadian Dollar based options ⁽¹⁾				
Outstanding at beginning of year	1,526,334	C\$5.46	740,000	C\$4.16
Granted under plan	882,966	C\$10.67	828,000	C\$6.60
Exercised	(215,982)	C\$5.20	(41,666)	C\$4.98
Expired & forfeited	(30,439)	C\$6.93		
Outstanding at the end of year	2,162,879	C\$7.59	1,526,334	C\$5.46
Options vested and exercisable at the end of the year	666,224	C\$4.76	308,333	C\$4.24

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

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

The following table summarizes information about stock options outstanding at December 31, 2007:

Range of exercise prices	Options outstanding			Options exercisable		
	Number of stock options outstanding at December 31, 2007	Remaining contractual life (months)	Weighted average exercise price	Number of stock options outstanding at December 31, 2007	Remaining contractual life (months)	Weighted average exercise price
C\$3.80	528,334	41	C\$3.80	268,889	41	C\$3.80
C\$4.25-C\$4.66	288,335	33	C\$4.31	273,890	33	C\$4.31
C\$7.06	300,334	51	C\$7.06	100,112	51	C\$7.06
C\$9.41	600,000	57	C\$9.41	-	-	-
C\$10.54	125,000	61	C\$10.54	-	-	-
C\$11.06-C\$11.84	145,000	60	C\$11.37	23,333	59	C\$11.26
C\$12.04	75,000	62	C\$12.04	-	-	-
C\$14.06	60,876	63	C\$14.06	-	-	-
C\$17.04	40,000	65	C\$17.04	-	-	-
Total	2,162,879	50	C\$7.59	666,224	40	C\$4.76

(c) Warrants

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

Date	Details	Notes	No. of Warrants	Exercise Prices	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 September 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
December 2007	Exercise of warrants	(v)	(600,000)		(692)
December 31, 2007	Closing balance		-		-

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 of the Anvil group of companies) 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 year March to September 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) In December 2007, 600,000 warrants issued to Deans Knight Capital Management Ltd were exercised at C\$6.25 per share.

20. Commitments

(a) Exploration Expenditure Commitments

In order to maintain the mining tenements in which the Company has interests, the Company is committed to meet prescribed conditions under which the tenements were granted. The Company's exploration expenditure commitment as at December 31, 2007 is \$0.07 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 December 31, 2007 were \$2.5 million (December 31, 2006 - \$3.0 million).

(c) Kulu mine

The outstanding capital commitments of the Kulu mine contracted for at December 31, 2007 were \$5.5 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 December 31, 2007 were \$26.7 million (December 31, 2006 - \$19.0 million). Under the Kinsevere acquisition agreement, AMCK has an ongoing obligation to pay a mining royalty on a sliding scale that varies with the price of copper and is between \$35 and \$70 per tonne of copper equivalent extracted from the mine property, with the maximum royalty payable being reached at a copper price of \$4,000 per tonne. AMCK also has a similar royalty obligation of 2% of net sales to the DRC Government.

(e) Anvil Mining Services SPRL ("AMS")

The outstanding capital commitments of AMS contracted for at December 31, 2007 were \$0.2 million (December 31, 2006 \$0.6 million)

(f) Corporate development, administration and other

The outstanding capital commitments of Anvil Mining Australia Pty Ltd. contracted for at December 31, 2007 were \$0.3 million (December 31, 2006 nil).

(g) Central Bank of Congo

Anvil subsidiaries operating in the DRC are required to comply with the Central Bank of Congo regulations regarding repatriation of sales proceeds received in to bank accounts located outside the DRC. The subsidiaries are required to repatriate no less than 40% of the realized sales receipts, within certain time periods, into US dollar denominated bank accounts located in the DRC. At December 31, 2007 the amount to be repatriated was \$6 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.

21. Subsequent Events

In February 2008, Anvil received letters from the Minister of Mines for the DRC notifying Anvil of the DRC Government's position as a consequence of the review by the DRC Government of the mining rights which Anvil's subsidiaries hold in respect of Anvil's Dikulushi, Kinsevere and Kulu mining properties.

The letters from the Minister include a statement of terms upon which the Government proposes discussions be based to balance the partnership between the DRC and Anvil. The office of the Minister of Mines has also advised Anvil that the deadline for responding to the Government's position has been extended to February 27, 2008.

Anvil will submit a response to the letters received from the Minister of Mines in respect of all three of its properties in the DRC within the Government's timeframe and is seeking further discussions with the Minister of Mines.

The mining concessions on which the Company is currently operating and developing are all located in the DRC. As a result, the Company is subject to certain risks, including possible political or economic instability in the DRC, which may result in the impairment, loss of mineral concessions or renegotiation of joint venture contracts with Gecamines. Any changes in laws or regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. In relation to the DRC Commission appointed by the DRC Government to review mining agreements, no assurance can be

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

given as to the outcome of any future discussions or negotiations between Anvil and the DRC Government or that Anvil's security of tenure and its ability to secure additional financing in the future may not be adversely affected so as to have a material adverse effect on its business, operating results and financial position.

22. 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 Kulu 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 was developed in 2007, and produces an oxide copper concentrate.

Corporate development, administration and other

The corporate development, administration ("CDA") 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 the Philippines.

For the year ended December 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.

						2007
	Dikulushi	Kulu	Kinsevere	CDA	Inter-segment	Total
Concentrate sales	193,250	31,380	38,619	-	(15)	263,234
Operating expenses	(46,204)	(21,978)	(13,080)	(4,538)	15	(85,785)
Amortization	(5,556)	(2,917)	(7,932)	(758)	-	(17,163)
Segmented operating profit (loss)	141,490	6,485	17,607	(5,296)	-	160,286
Interest and financing fees	(121)	(2,254)	(706)	(1,415)	2,254	(2,242)
Other income	368	102	110	22,361	(11,089)	11,852
Other expenses	(3,283)	(2,898)	(4,596)	(29,044)	8,835	(30,986)
Segmented profit before under noted items	138,454	1,435	12,415	(13,394)	-	138,910
Income taxes	(4,407)	9	(3,934)	(205)	-	(8,537)
Non-controlling interest	(12,486)	(179)	(544)	-	-	(13,209)
Segmented profit	121,561	1,265	7,937	(13,599)	-	117,164
Property, plant and equipment	31,085	14,163	175,447	7,357	-	228,052
Total assets	95,767	71,642	229,246	292,000	-	688,655
Capital expenditures	10,950	3,631	72,601	4,779	-	91,961

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

For the year ended December 31, 2006, segmented information is presented as follows.

	2006					
	Dikulushi	Kulu	Kinsevere	CDA	Inter-segment	Total
Concentrate sales	145,770	29,673	-	-	-	175,443
Operating expenses	(49,748)	(10,003)	-	(1,094)	-	(60,845)
Amortization	(4,930)	(1,762)	-	(869)	-	(7,561)
Segmented operating profit (loss)	91,092	17,908	-	(1,963)	-	107,037
Interest and financing fees	(2,705)	(2,122)	-	(1,800)	2,122	(4,505)
Other income	523	250	-	10,587	(5,386)	5,974
Other expenses	(8,332)	(3,521)	-	(3,325)	3,264	(11,914)
Segmented profit (loss) before under noted items	80,579	12,515	-	3,499	-	96,593
Income taxes	-	(3,799)	-	(31)	-	(3,830)
Non-controlling interest	(8,058)	(2,528)	-	-	-	(10,586)
Segmented profit (loss)	72,521	6,188	-	3,468	-	82,177
Property, plant and equipment	20,662	10,960	24,655	7,653	-	63,930
Total assets	70,591	37,794	89,903	204,198	-	402,486
Capital expenditures	8,610	5,119	23,424	2,123	-	39,276

Geographical Reporting

The operations in DRC comprise the Dikulushi copper-silver mine, Kulu copper mine, Kinsevere 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 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	December 31	December 31
	2007	2006
	\$	\$
Democratic Republic of Congo	402,409	232,941
Zambia	885	678
Vietnam	-	1,021
Philippines	3,720	431
Australia ⁽¹⁾	5,535	52,753
Canada ⁽¹⁾	276,106	114,662
	688,655	402,486

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

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

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	Year ended December 31	
	2007 \$	2006 \$
Democratic Republic of Congo	263,234	175,443

23. 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.

Fair value of financial assets and liabilities

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

24. Earnings per share

	Year ended December 31 2007	Year ended December 31 2006
Basic earnings per share (\$ per share)	1.81	1.65
Diluted earnings per share (\$ per share)	1.77	1.61
Weighted average number of common shares outstanding - basic earnings per share	64,715,747	49,729,151
Weighted average number of common shares outstanding - diluted earnings per share	66,224,739	51,006,948

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

	Income \$	Shares Number	Year ended December 31 2007 Per share amount \$
Basic earnings per share			
Income available to shareholders	117,164	64,715,747	1.81
Effect of dilutive securities:			
Options and warrants	-	1,508,992	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	117,164	66,224,739	1.77

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

	Income	Shares	Year ended December 31 2006
	\$	Number	Per share amount \$
Basic earnings per share			
Income available to shareholders	82,177	49,729,151	1.65
Effect of dilutive securities:			
Options and warrants	-	1,277,797	-
Diluted earnings per share			
Income available to shareholders and assumed conversions	82,177	51,006,948	1.61

25. Supplementary cash flow information

	Year Ended December 31 2007	Year Ended December 31
	\$	2006
		\$
(a) Changes to non-cash working capital		
Accounts receivable	(36,638)	(21,679)
Inventories	(14,202)	(10,667)
Prepaid expenses and deposits	(3,162)	(6,126)
Deferred mining	-	4,078
Accounts payable and accrued liabilities	8,180	6,327
Income taxes	2,271	3,206
Other liabilities	619	3,224
	<u>(42,932)</u>	<u>(21,637)</u>
(b) Other information		
Interest and financing fees paid	(821)	(2,735)
Income tax paid	(4,765)	(75)
Interest received	11,934	5,296
Exploration expenditure transferred to mine properties	(92,196)	(1,699)

Non-cash financing and investing activities

On December 21, 2006 the Group completed its acquisition of an additional 15% interest in AMCK. The consideration of \$45.0 million, being \$36 million in cash and \$9 million in common shares of Anvil Mining Limited, was paid during 2007.

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

26. Deed of cross guarantee

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

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

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

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

Set out below are the condensed statements of earnings and balance sheets for the year ended December 31, 2007 and December 31, 2006 of the Closed Group and the Extended Closed Group:

Condensed statement of earnings	Closed Group		Extended Closed Group ⁽¹⁾	
	Year Ended December 31 2007	Year Ended December 31 2006	Year Ended December 31 2007	Year Ended December 31 2006
	\$	\$	\$	\$
Copper-silver concentrate sales	-	-	263,234	175,443
Cost of operations	-	-	(85,785)	(60,845)
Amortization	-	-	(17,163)	(7,561)
Operating profit	-	-	160,286	107,037
Other income ⁽²⁾	128,248	14,385	11,852	5,974
General, administrative and marketing	(5,664)	(9,931)	(14,841)	(10,134)
Exploration expense	(1,063)	(42)	(4,389)	(42)
Foreign exchange gains/(losses)	1,666	(316)	95	(370)
Provision for impairment of investment	(9,367)	-	(9,367)	-
Stock based compensation	(2,484)	(1,367)	(2,484)	(1,367)
Interest and financing fees	(3)	(1,271)	(2,242)	(4,505)
Earnings (loss) before income tax and non controlling interests	111,331	1,458	138,910	96,593
Income tax (expense) revenue	283	381	(8,537)	(3,830)
Non controlling interests	-	-	(13,209)	(10,586)
Net income	111,614	1,839	117,164	82,177
Retained earnings (deficit) at beginning of the year	(6,844)	(8,683)	92,714	10,537
Adjustment to opening retained earnings	(190)	-	(190)	-
Share of loss in associates	(164)	-	(164)	-
Retained earnings (deficit) at end of the year	104,416	(6,844)	209,524	92,714

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

Condensed balance sheets	Closed Group		Extended Closed Group ⁽¹⁾	
	December 31 2007 \$	December 31 2006 \$	December 31 2007 \$	December 31 2006 \$
ASSETS				
Current assets				
Cash and cash equivalents	196,824	49,736	215,754	59,302
Restricted cash	-	219	322	219
Accounts receivable	3,886	4,593	65,761	29,594
Inventories	-	-	32,221	18,020
Investments	63,800	95,819	63,800	95,819
Prepaid expenses and deposits	2,245	1,783	21,449	6,936
	266,755	152,150	399,307	209,890
Receivables from subsidiaries⁽³⁾	216,578	32,682	-	-
Deferred financing fees		-	-	791
Deferred mining costs		-	-	-
Equity accounted investments	5,766		5,766	-
Long term receivable	-		3,966	-
Exploration and evaluation expenditure	255	52	49,680	127,138
Property, plant and equipment	26	590	228,052	63,930
Future income tax asset	1,581	737	1,884	737
	490,961	186,211	688,655	402,486
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	2,914	4,180	25,044	14,285
Current income taxes	1,091	299	5,116	3,281
Other liabilities	-	192	1,296	676
Current portion of long term debt	-	-	-	8,000
Purchase consideration payable	-	1,250	-	46,250
	4,005	5,921	31,456	72,492
Long term debt	-	-	-	4,000
Purchase consideration payable	-	-	-	-
Asset retirement obligations	-	-	11,668	1,402
Future income tax liability		52	39,587	36,505
		5,973	82,711	114,399
Non controlling interest	-	-	13,880	8,291
Shareholders' equity				
Equity accounts	382,540	187,082	382,540	187,082
Retained earnings (deficit)	104,416	(6,844)	209,524	92,714
Total shareholders' equity	486,956	180,238	592,064	279,796
	490,961	186,211	688,655	402,486

(1) The members of the consolidated entity comprising the Extended Closed Group are the same as those entities, which comprise the consolidated entity, as Anvil Mining Limited is the ultimate parent entity.

(2) Other income of the Closed Group includes inter-company charges between the Closed Group and entities outside the Closed Group amounting to \$(0.7) million for the year ended December 31, 2007 (year ended 31 December 2006: \$9.7 million) and dividends received from entities outside the Closed Group amounting to \$118.0 million.

(3) These long-term receivables relate to receivables from controlled entities, which are outside the Closed Group, as is listed above.