

Anvil Mining Limited

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**Anvil Mining Limited**

Consolidated Financial Statements

**Second Quarter - June 30, 2005**

**(Unaudited)**

(Expressed in thousands, of United States dollars except per share amounts)

(Expressed in thousands, of U.S dollars, except per share amounts)

**Consolidated Balance Sheets (unaudited)**

	Notes	June 30 2005 \$	December 31 2004 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,550	4,559
Restricted cash	3	-	14,133
Accounts receivable		3,919	2,181
Inventories	4	8,384	5,514
Prepaid expenses and deposits		851	639
		<u>14,704</u>	<u>27,026</u>
<b>Deferred financing fees</b>	5	501	679
<b>Deferred mining costs</b>	6	3,628	2,617
<b>Exploration and evaluation expenditure</b>	7	21,392	4,727
<b>Property, plant and equipment</b>	8	22,777	21,509
		<u>63,002</u>	<u>56,558</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		7,913	4,640
Current income taxes		23	45
Other liabilities	11(c)	2,854	500
Current portion of long term debt	9	4,775	6,625
		<u>15,565</u>	<u>11,810</u>
<b>Long term debt</b>	9	-	1,500
<b>Purchase consideration payable</b>	11(c)	4,120	-
<b>Environmental and mine closure liabilities</b>		317	306
<b>Non controlling interest</b>		612	613
		<u>20,614</u>	<u>14,229</u>
<b>Shareholders' equity</b>			
Equity accounts	10	40,263	38,740
Cumulative translation adjustments		559	559
Retained earnings		1,566	3,030
		<u>63,002</u>	<u>56,558</u>
Contingent liabilities	9		
Commitments for expenditure	11		

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

(Expressed in thousands, of U.S dollars, except per share amounts)

**Consolidated Statements of Earnings and Retained Earnings (unaudited)**

	Notes	3 Months Ended June 30		6 Months Ended June 30	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>Copper-silver concentrate sales</b>		10,493	8,205	18,188	15,545
Operating expenses		(6,684)	(4,925)	(13,208)	(8,556)
Amortization		(1,300)	(693)	(2,693)	(1,217)
Operating profit/(loss)		2,509	2,587	2,287	5,772
Other income	2	9	9	59	12
General, administrative and marketing		(1,137)	(634)	(1,925)	(939)
Exploration expense		-	(116)	-	(213)
Foreign exchange gains/(losses)		(2)	222	(12)	149
Stock based compensation		(177)	(66)	(284)	(191)
Interest and financing fees	2	(804)	(609)	(1,475)	(1,289)
Earnings before income tax and non controlling interest		398	1,393	(1,350)	3,301
Income tax		(23)	223	(17)	234
Non controlling interest		(173)	(149)	(97)	(436)
<b>Net Earnings (loss)</b>		202	1,467	(1,464)	3,099
Retained earnings (deficit) at beginning of the period		1,364	687	3,030	(945)
<b>Retained earnings at end of the period</b>		1,566	2,154	1,566	2,154
Basic earnings (loss) per share	13	0.01	0.07	(0.05)	0.15
Diluted earnings (loss) per share	13	0.01	0.07	(0.05)	0.14

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(Expressed in thousands, of U.S dollars, except per share amounts)

<b>Consolidated Statements of Cash Flows (unaudited)</b>					
		<b>3 Months Ended June 30</b>		<b>6 Months Ended June 30</b>	
	Notes	2005 \$	2004 \$	2005 \$	2004 \$
<b>Cash flows from operating activities</b>					
Net earnings (loss) for the period		202	1,467	(1,464)	3,099
Items not affecting cash					
Amortization		1,300	693	2,693	1,217
Exploration expenditure written off		-	27	-	27
Tax expense		23	(223)	17	(234)
Loss on disposal of assets		4	-	4	-
Non controlling interest		173	149	97	436
Borrowing costs - amortized		90	89	179	178
Unrealized foreign exchange (gains)/losses		15	(135)	(99)	(105)
Stock based compensation		177	66	284	191
Capitalized borrowing costs		-	409	-	-
Changes in non-cash working capital	14	703	(615)	(2,618)	(1,833)
		<u>2,687</u>	<u>1,927</u>	<u>(907)</u>	<u>2,976</u>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(2,240)	(3,183)	(3,967)	(5,304)
Proceeds from sale of investments		-	41	-	41
Proceeds from sale of assets		1	-	1	-
Payments for exploration and evaluation expenditure		(3,171)	(106)	(9,353)	(569)
		<u>(5,410)</u>	<u>(3,248)</u>	<u>(13,319)</u>	<u>(5,832)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares (net of issue expenses)		455	4,540	434	4,916
Movement in restricted cash		-	-	14,133	-
Proceeds from borrowings		-	2,000	-	4,000
Repayment of borrowings		(1,975)	(153)	(3,350)	(1,000)
		<u>(1,520)</u>	<u>6,387</u>	<u>11,217</u>	<u>7,916</u>
<b>Net increase (decrease) in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of the period		(4,243)	5,066	(3,009)	5,060
Effects of exchange rate changes on cash held in foreign currencies		5,795	2,071	4,559	2,078
		(2)	33	-	32
Cash and cash equivalents at end of the period		<u>1,550</u>	<u>7,170</u>	<u>1,550</u>	<u>7,170</u>

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

(Expressed in thousands, of U.S dollars, except per share amounts)

**NOTES TO THE FINANCIAL STATEMENTS (unaudited)****1. Basis of presentation and going concern**

The unaudited interim consolidated financial statements have been presented in accordance with Canadian generally accepted accounting principles (GAAP) for interim reporting. They do not include all the information and disclosure required by Canadian GAAP for annual financial statements.

In the opinion of management, all adjustments required for a fair presentation are included in these statements in accordance with the accounting policies of the Company. The unaudited interim consolidated financial statements should be read in conjunction with the December 31, 2004 audited financial statements for the detailed note disclosure.

At June 30, 2005, the Company has an excess of current liabilities over current assets of \$0.861 million. This deficiency arises from the quarterly debt repayment schedule inherent in the project debt finance facility provided by RMB International (Dublin) Limited (RMBI), the current portion of purchase consideration due in respect of the Mutoshi Project acquisition and a higher level of payables associated with the operations of the Dikulushi Mine and exploration and development activity on the recently acquired exploration and development project areas.

The total current liabilities amount at June 30, 2005, of \$15.565 million includes project debt finance of \$4.775 million to be repaid within the next twelve months. These repayments are expected to be funded from the Company's operating cashflow to be generated over the twelve month period from July 1, 2005 to June 30, 2006. Also included in total current liabilities is \$2.429 million of purchase consideration associated with the Mutoshi Project acquisition which is currently deferred in accordance with the agreement because the legal work regarding the transfer of the tenement is not complete (refer Note 11 (c)). In June 2005, RMBI approved an additional working capital finance facility, of \$4.000 million, (refer Notes 9 and 15) which was drawn down in early July 2005

Certain comparative figures for the prior period have been reclassified to conform to the presentation for the current period.

	3 Months ended June 30		6 Months ended June 30	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>2. Other Income</b>				
Interest received	9	9	59	12
<b>Interest and financing fees</b>				
Financing fee (includes net smelter return – Note 9)	619	483	1,100	983
Interest	95	37	196	128
Amortization of deferred borrowing costs	90	89	179	178
	<u>804</u>	<u>609</u>	<u>1,475</u>	<u>1,289</u>

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

	<b>June 30 2005 \$</b>	<b>December 31 2004 \$</b>
<b>3. Restricted cash</b>		
Cash deposits held as security or on escrow	-	14,133

At December 31, 2004, the cash deposit of \$14.133 million, which relates to the proceeds from issue of 3,240,000 special warrants (refer Note 10 (b)), was held in trust subject to shareholders' approval for the conversion of the special warrants into common shares and share purchase warrants. Approval was given at a meeting of shareholders on January 20, 2005.

	<b>June 30 2005 \$</b>	<b>December 31 2004 \$</b>
<b>4. Inventories</b>		
Raw materials and stores – at cost	4,269	3,787
Ore stockpiles – at lower of cost or net realizable value	3,021	1,149
Concentrate in stockpiles and in transit – at cost	1,094	578
	<u>8,384</u>	<u>5,514</u>

<b>5. Deferred financing fees</b>		
Deferred fees paid and value of options granted	1,100	1,100
Amortization	(599)	(421)
	<u>501</u>	<u>679</u>

<b>6. Deferred mining costs</b>		
Costs at the beginning of period	2,617	1,975
Waste stripping costs deferred during the period	1,011	642
Costs at end of period	<u>3,628</u>	<u>2,617</u>

During the six months period ended June 30, 2005, the Company deferred \$1.011 million (six months period ended December 31, 2004 - \$0.642 million) of stripping costs based on the prospective life of mine strip ratio of 19.2:1 compared to the actual average strip ratio for the June 2005 quarter of 24.3:1 (December 2004 – life of mine strip ratio of 8.4:1 and actual average strip ratio of 11.8:1).

The Company adopted in March 2005 a revised optimised open pit mine plan which as a result changed the prospective strip ratio for the remaining life of the open pit to 19.2:1 to give a revised combined whole life of open pit mine strip ratio of 15.3:1 . This prospective strip ratio was first applied in March 2005.

(Expressed in thousands, of U.S dollars, except per share amounts)

## NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	June 30 2005 \$	December 31 2004 \$
<b>7. Exploration and evaluation expenditure</b>		
Exploration and evaluation expenditure at beginning of period	4,727	2,194
Expenditure incurred	4,366	2,533
Acquisition cost of new development properties (see Note 11(c))	12,299	-
Exploration and evaluation expenditure at end of period	<u>21,392</u>	<u>4,727</u>
Costs incurred on:		
Dikulushi, Dikulushi regional and Copperbelt exploration projects in the DRC	20,460	4,117
Philippines regional exploration project	105	71
Duc Bo exploration project – Vietnam	827	539
	<u>21,392</u>	<u>4,727</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.

8. Property, plant and equipment	June 30 2005		
	Cost \$	Accumulated depletion, amortization and writedown \$	Net book value \$
<b>Dikulushi<sup>(1)</sup></b>			
Land and buildings	2,219	(483)	1,736
Plant and equipment	17,699	(3,894)	13,805
Mine property	9,001	(3,210)	5,791
Construction work in progress	1,261	-	1,261
	<u>30,180</u>	<u>(7,587)</u>	<u>22,593</u>
<b>Corporate and other<sup>(2)</sup></b>	229	(45)	184
<b>Total</b>	<u>30,409</u>	<u>(7,632)</u>	<u>22,777</u>
			<b>December 31 2004</b>
<b>Dikulushi<sup>(1)</sup></b>			
Land and buildings	1,092	(239)	853
Plant and equipment	17,921	(2,323)	15,598
Mine property	6,243	(2,409)	3,834
Construction work in progress	1,029	-	1,029
	<u>26,285</u>	<u>(4,971)</u>	<u>21,314</u>
<b>Corporate and other<sup>(2)</sup></b>	207	(12)	195
<b>Total</b>	<u>26,492</u>	<u>(4,983)</u>	<u>21,509</u>

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

<sup>(2)</sup> The corporate and other assets are all located in Australia and Canada.

(Expressed in thousands, of U.S dollars, except per share amounts)

## NOTES TO THE FINANCIAL STATEMENTS (unaudited)

9. Long term debt Facilities	June 30 2005 \$	December 31 2004 \$
RMBI project financing	4,775	8,125
Total long-term debt	4,775	8,125
Less: current portion	(4,775)	(6,625)
	<u>0</u>	<u>1,500</u>
The scheduled minimum repayments are as follows:		
Financial year 2005	3,275	6,625
Financial year 2006	1,500	1,500
	<u>4,775</u>	<u>8,125</u>

RMBI a subsidiary of the Rand Merchant Bank Group provided the project financing facility to a subsidiary for the purpose of developing Stage I of the Dikulushi Mine. The Stage I loan facility provided in 2002, was \$4.500 million and scheduled repayments commenced on December 31, 2002. In October 2003, RMBI increased the Stage I project financing facility by \$5.000 million for the Company to undertake the Stage II expansion of the Dikulushi Mine. In November 2004, RMBI further extended the facility by \$2.400 million to finance a replacement mining fleet for the Dikulushi Mine. The balance of the loan, of \$4.775 million, as at June 30, 2005 is repayable in three further instalments of \$1.875 million (September 30, 2005), \$1.400 million (December 31, 2005) and \$1.500 million (March 31, 2006). In June 2005, RMBI approved an additional working capital facility of \$4.0 million which was fully drawn down on July 7, 2005. At June 30, 2005, the Company had unused finance facilities amounting to \$4.000 million.

The loan is secured by a fixed and floating charge over the assets of the Company and a negative pledge by all entities owned by the Company. The loan bears interest at the London Interbank Offer Rate (LIBOR) + 2.5% per annum and is payable in arrears, quarterly. The effective interest rate for the three months ended June 30, 2005 was 5.6% (March 31, 2005 – 5.0%).

In conjunction with the RMBI financing facility, the Company granted a 6.25% net smelter return financing fee to RMBI. The net smelter financing fee is payable until the Company has sold 65,000 tonnes of copper cathodes or equivalent from copper ore which is being mined from the Dikulushi Project. At June 30, 2005, 29,800 tonnes of copper had been sold and in aggregate \$3.851 million of financing fees have been paid. It is not practical to estimate the potential effect of this liability, which is dependent on the future price of copper and silver and the commercial smelting and refining terms

10. Equity accounts	June 30 2005 \$	December 31 2004 \$
Common shares (a)	34,886	23,302
Special warrants (b)	-	12,766
Contributed surplus	5,377	2,672
	<u>40,263</u>	<u>38,740</u>

## (a) Common shares

**Authorized:**

The Company's authorized share capital consists of an unlimited number of Common shares without par value. The Company is also authorized to issue an unlimited number of Preferred shares in one or more series.

(Expressed in thousands, of U.S dollars, except per share amounts)

**NOTES TO THE FINANCIAL STATEMENTS (unaudited)****Issued:**

	<b>June 30</b>		<b>December 31</b>	
	<b>2005</b>		<b>2004</b>	
	<b>Number of shares</b>	<b>\$</b>	<b>Number of shares</b>	<b>\$</b>
Balance – Beginning of period	25,624,229	23,302	23,554,229	16,800
Exercise of stock options (i)	12,500	14	70,000	67
Issue of shares for acquisitions (iv)	165,119	1,268	-	-
Conversion of special warrants to common shares (ii)	3,240,000	10,339	2,000,000	6,879
Transfer from contributed surplus (i)	-	7	-	53
Share issue expenses (iii)	-	(44)	-	(497)
Balance – End of period	<u>29,041,848</u>	<u>34,886</u>	<u>25,624,229</u>	<u>23,302</u>

- (i) During the six months ended June 30, 2005, employee stock option holders exercised their options over 12,500 common shares. (During the six months ended 31 December, 2004, employee stock option holders exercised their options over 70,000 common shares.) The transfer from Contributed Surplus relates to the value ascribed to stock options exercised during the period.
- (ii) On December 16, 2004, the Company completed the sale of 5,240,000 special warrants at a price of C\$5.25 each through a brokered private placement. A total of 2,000,000 of the special warrants were immediately converted into 2,000,000 common shares and 999,952 share purchase warrants as allowed under the Australian Stock Exchange 15% placement capacity rule. The balance of 3,240,000 special warrants was convertible to common shares and one half of a share purchase warrant for each special warrant on receipt of shareholders' approval at a meeting held on January 20, 2005 (refer (b) below).
- (iii) The total share issue expenses relating to the brokered private placement described in (ii) above amounted to \$1.607 million and included that portion of brokers fees associated with the issue Special Warrants. Of the total incurred \$1.110 million were allocated to the respective Special Warrants and Warrants financial instruments on a proportional basis.
- (iv) On January 12, 2005 the Company announced that the due diligence review of the Mutoshi Copper-Cobalt Project had been completed satisfactorily and that, as per the terms and conditions of the agreement announced on November 17, 2004, the Company paid \$3.000 million to Gécamines and issued 153,950 Common Shares at C\$6.02 per share to acquire its 87.5% interest in Emiko s.p.r.l. which in turn has an 80% interest in Société de Minière de Kolwezi sprl (SMK) (formerly known as Société de Traitements de Réjets de Mutoshi s.p.r.l.) which holds the Mutoshi Project.

On January 25, 2005 the company issued 11,169 Common Shares at C\$5.95 per share as part consideration of an additional 5% interest in the Duc Bo exploration project. These shares were subject to a hold period until May 26, 2005.

**(b) Special Warrants**

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

The estimated amounts allocated to the fair value of the warrants forming part of the special warrants were valued using the Black-Schöles model.

The conversion of special warrants into common shares and warrants involved a transfer of \$2.427 million to the contributed surplus account. At June 30, 2005 the Company had no special warrants outstanding.

**(c) Stock options**

During the June 2005 quarter 350,000 stock options with an exercise price of C\$3.80 each and total fair value of C\$0.5 million were issued under the stock option plan, and 12,500 stock options were exercised and 140,000 stock options were cancelled. In the first quarter there were no issues or exercises of stock options. In the June 2005 quarter \$0.177 million (March 2005 quarter \$0.107 million) was credited to the contributed surplus account and charged to earnings in respect of vesting options granted previously.

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

Warrants to purchase common shares in the capital of the Company (Anvil NL prior to the Scheme) during the period from July 2004 to June 2005 that have been granted or cancelled were as follows:

<b>Date</b>	<b>Details</b>	<b>Notes</b>	<b>No. of Warrants</b>	<b>Exercise Price</b>	<b>Fair Values \$</b>
<b>June 2004</b>	Opening Balance		796,631		615
December 2004	Conversion of Special Warrants		999,952	C\$6.25	1,615
	Allocated issue expenses				(117)
January 2005	Conversion of Special Warrants	(i)	1,620,048	C\$6.25	2,617
	Allocated issue expenses				(190)
<b>June 2005</b>	Closing Balance		3,416,631		4,540

Details of movements in warrants are as follows:

- (i) On January 20, 2005, the remaining special warrants issued through the brokered private placement in December 2005 were converted into 1,620,048 warrants (refer (b) above).
- (ii) As part of the working capital financing facility approved by RMBI in June 2005, the Company will issue 500,000 warrants at an exercise price of C\$5.25 per warrant share expiring on June 30, 2008. The fair value of these warrants when issued to RMBI will be \$0.335 million which will be accounted for as part of the borrowing costs associated with the additional working capital financing facility. This will entitle RMBI to subscribe for and purchase up to 500,000 common shares of the Company.

**11. 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, 2005 is \$0.075 million (December 31, 2004 - \$0.075 million).

No estimate has been given of commitments beyond one year as this is dependent upon the Directors' review of operations in the short to medium term. Commitments for all tenement expenditure can be terminated at any date by forfeiture, exemption, sale or assignment of the tenements.

**(b) Dikulushi Mine**

The outstanding capital commitments of the Company contracted for at June 30, 2005 was \$0.247 million (December 31, 2004 \$0.525 million).

**(c) Mutoshi Project**

In November 2004 the Company announced that it had entered into an agreement with La Générale des Carrières et des Mines (Gécamines), the state-owned mining company in the DRC and Emiko s.p.r.l. (Emiko), a DRC private company, to acquire a 70% interest in the Mutoshi Copper-Cobalt Project in the Kolwezi Region of the DRC.

At December 31, 2004, the Company had a conditional commitment which was subject to the completion of due diligence for the acquisition of a 70% interest in the Mutoshi Copper-Cobalt Project amounting to \$12.500 million.

On January 12, 2005 the Company announced that the due diligence review of the Mutoshi Copper-Cobalt Project had been completed satisfactorily and that, as per the terms and conditions of the agreement announced on November 17, 2004, the Company had paid \$3.0 million to Gécamines and had issued 153,950 Common Shares at C\$6.02 per share amounting to \$0.750 million (C\$0.927 million), to acquire its 87.5% interest in Emiko, which in turn has an 80% interest in the Mutoshi Project. On April 14, 2005, the Company paid a further amount of \$2.000 million as per the terms and conditions of the agreement.

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

The remainder of the project acquisition purchase price is due in cash as follows: \$1.250 million on July 7, 2005; \$1.250 million on January 7, 2006 and the balance of \$4.353 million is due in 18 equal monthly payments beginning four months after the start of commercial production. At June 30, 2005 this commitment has been included in the balance sheet at its fair value of \$6.549 million. The current liability amount of the purchase consideration payable of \$2.429 million is recorded in other liabilities and a non current liability of \$4.120 million shown as Purchase consideration payable. The Company has given notice to Gécamines, that further payments of the purchase consideration are being deferred in accordance with the agreement because the legal work regarding the transfer of the tenement is not complete.

At June 30, 2005 the Company has ongoing negotiations on the facility to finance the Kulumaziba coarse rejects/tailings Project (Kulu Project) deferred acquisition costs and Stage I capital development costs.

(d) Kinsevere Project

In November 2004, the Company entered into a joint venture agreement with Mining Company Katanga s.p.r.l. (MCK) to carry out feasibility study work on the Kinsevere-Nambulwa copper-cobalt deposits in Katanga Province of the DRC owned by Gécamines.

MCK holds an option to either acquire or lease from Gécamines, the exploitation and exploration permits that comprise the entire Kinsevere-Nambulwa Project, excluding a 5% interest to be retained by the DRC government. The acquisition or lease rental terms and conditions are defined as the fair market value based on contained copper as determined by the feasibility study work, which Anvil intends to complete within a period of two years. MCK's acquisition agreement with Gécamines will be transferred to a special purpose joint venture company, in which Anvil will hold a 70% interest. The acquisition or lease of the properties following the successful completion of the feasibility study work will require the approval of the Gécamines' board and the approval of the DRC Ministry of Mines.

At June 30, 2005, commitments on exploration required or the feasibility study work had not been finalised with the joint venturers and 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.

(e) Central Bank of Congo

Anvil Mining Congo sarl ("Anvil Congo") entered into an agreement with the Central Bank of Congo, under which Anvil Congo is permitted to deposit sales proceeds into bank accounts located outside the DRC. The agreement requires that Anvil Congo repatriate no less than 40% of the realized sales receipts, within certain time periods, into Anvil Congo's bank account located in the DRC. At June 30, 2005 the amount to be repatriated was \$1,834 million (December 31, 2004 - \$0.613 million). These funds are, once repatriated, available to the Company to meet obligations both within and outside the DRC.

(Expressed in thousands, of U.S dollars, except per share amounts)

**NOTES TO THE FINANCIAL STATEMENTS (unaudited)****12. Segment information**

The Company operates primarily in the mining and mineral exploration industry in Africa, Southeast Asia and Australia. The operations in DRC comprise the Dikulushi copper-silver mine as well as exploration on tenements, totalling almost 20,000 square kilometres, held in DRC. The Zambia operations comprise the infrastructure support to the Dikulushi mine, as well as 2,900 square kilometres of exploration tenements. The activities in Vietnam and the Philippines are on exploration and project identification respectively. The 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 Mine or exploration equipment used on exploration tenements in the DRC. The total assets located by geographic areas are as follows:

<b>Total assets - Geographical Reporting</b>	<b>June 30, 2005</b>	<b>December 31, 2004</b>
	<b>\$</b>	<b>\$</b>
Democratic Republic of Congo	59,621	35,550
Zambia	435	430
Vietnam	827	539
Philippines	105	71
Australia and Canada <sup>(1)</sup>	2,014	19,968
	<u>63,002</u>	<u>56,558</u>

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

The geographic distribution of the Company's external revenues, which is attributed to regions based on the location of the principal underlying asset, is as follows:

<b>Revenues - Geographical Reporting</b>	<b>3 Months ended June 30</b>		<b>6 Months ended June 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Democratic Republic of Congo	10,493	8,205	18,188	15,545

The total external revenue from operating activities and the related external trade receivables balances is due from Republic House AG pursuant to an "off-take sales agreement".

**13. Earnings (loss) per share**

	<b>3 Months ended June 30</b>		<b>6 Months ended June 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Basic earnings per share	0.01	0.07	(0.05)	0.15
Diluted earnings per share	0.01	0.07	(0.05)	0.14
Weighted average number of ordinary shares outstanding - basic earnings per share	29,029,623	21,675,178	28,663,978	20,802,979
Weighted average number of ordinary shares outstanding - diluted earnings per share	29,658,542	22,399,151	29,521,313	21,510,643

## NOTES TO THE FINANCIAL STATEMENTS (unaudited)

## 14. Supplementary cash flow information

	3 Months Ended June 30		6 Months Ended June 30	
	2005 \$	2004 \$	2005 \$	2004 \$
(a) Changes to non-cash working capital				
Accounts receivable	(41)	724	(1,738)	(97)
Inventories	(1,421)	(493)	(2,870)	(692)
Prepaid expenses and deposits	(486)	67	(212)	(128)
Deferred mining	(695)	(15)	(1,011)	(555)
Accounts payable and accrued liabilities	3,219	(540)	3,273	(109)
Tax provision	23	(223)	(22)	(208)
Other liabilities	104	(7)	(38)	84
Restricted cash movements	-	(128)	-	(128)
	<u>703</u>	<u>(615)</u>	<u>2,618</u>	<u>(1,833)</u>
(b) Other information				
Interest and financing fees paid	(576)	(520)	(1,223)	(1,160)
Income tax paid	-	-	(39)	-

## 15. Subsequent events

On July 7, 2005, the RMBI additional working capital financing facility of \$4.000 million, approved in June 2005, was fully drawn down. This additional financing is repayable by the Company in two instalments of \$2.000 million each on June 30, 2006 and September 30, 2006 respectively. The Company can elect to extend the repayment of the last \$2.000 million until September 2007.