

Anvil Mining Limited

Consolidated Financial Statements

Three months (Quarter) ended March 31, 2005

(Unaudited)

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

Consolidated Balance Sheets (unaudited)

	Notes	March 31 2005 \$	December 31 2004 \$
ASSETS			
Current assets			
Cash and cash equivalents		5,795	4,559
Restricted cash	3	-	14,133
Accounts receivable		3,878	2,181
Inventories	4	6,962	5,514
Prepaid expenses and deposits		366	639
		<u>17,001</u>	<u>27,026</u>
Deferred financing fees	5	590	679
Deferred mining costs	6	2,933	2,617
Exploration and evaluation expenditure	7	19,984	4,727
Property, plant and equipment	8	21,843	21,509
		<u>62,351</u>	<u>56,558</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		4,694	4,640
Current income taxes		-	45
Other liabilities	11(c)	5,215	500
Current portion of long term debt	9	6,750	6,625
		<u>16,659</u>	<u>11,810</u>
Long term debt	9	-	1,500
Purchase consideration payable	11(c)	3,347	-
Environmental and mine closure liabilities		312	306
Non controlling interest		478	613
		<u>20,796</u>	<u>14,229</u>
Shareholders' equity			
Equity accounts	10	39,632	38,740
Cumulative translation adjustments		559	559
Retained earnings		1,364	3,030
		<u>62,351</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)

		3 Months Ended March 31	
	Notes	2005	2004
		\$	\$
Copper-silver concentrate sales		7,695	7,340
Operating expenses		(6,524)	(3,631)
Amortization		(1,393)	(524)
Operating profit/(loss)		<u>(222)</u>	<u>3,185</u>
Other income	2	50	3
General, administrative and marketing		(788)	(305)
Exploration expense		-	(97)
Foreign exchange gains/(losses)		(10)	(73)
Stock based compensation		(107)	(125)
Interest and financing fees	2	(671)	(680)
Earnings before income tax and non controlling interest		<u>(1,748)</u>	<u>1,908</u>
Income tax		6	11
Non controlling interest		76	(287)
Net Earnings (loss)		<u>(1,666)</u>	<u>1,632</u>
Retained earnings (deficit) at beginning of the period		<u>3,030</u>	<u>(945)</u>
Retained earnings at end of the period		<u>1,364</u>	<u>687</u>
Basic earnings (loss) per share	13	(0.06)	0.09
Diluted earnings (loss) per share	13	(0.06)	0.08

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 Cash Flows (unaudited)**3 Months Ended March 31**

	Notes	2005 \$	2004 \$
Cash flows from operating activities			
Net earnings (loss) for the period		(1,666)	1,632
Items not affecting cash			
Amortization		1,393	524
Non controlling interest		(135)	180
Borrowing costs – amortized		89	89
Unrealized foreign exchange (gains)/losses		(61)	126
Stock based compensation		107	125
Capitalized borrowing costs		-	(409)
Changes in non-cash working capital	14	(3,321)	(1,218)
		(3,594)	1,049
Cash flows from investing activities			
Payments for property, plant and equipment		(1,727)	(2,121)
Payments for exploration and evaluation expenditure		(6,182)	(463)
		(7,909)	(2,584)
Cash flows from financing activities			
Proceeds from issue of shares (net of issue expenses)		(21)	376
Movement in restricted cash		14,133	-
Proceeds from borrowings		-	2,000
Repayment of borrowings		(1,375)	(847)
		12,737	1,529
Net increase (decrease) in cash and cash equivalents		1,234	(6)
Cash and cash equivalents at beginning of the period		4,559	2,078
Effects of exchange rate changes on cash held in foreign currencies		2	(1)
Cash and cash equivalents at end of the period		5,795	2,071

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

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

The unaudited interim consolidated financial statements have been 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.

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

	Quarter ended March 31	
	2005	2004
	\$	\$
2. Other Income		
Interest received	50	3
Interest and financing fees		
Financing fee (includes net smelter return – Note 9)	481	500
Interest	101	91
Amortization of deferred borrowing costs	89	89
	671	680

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	March 31 2005 \$	December 31 2004 \$
3. Restricted cash		
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.

	March 31 2005 \$	December 31 2004 \$
4. Inventories		
Raw materials and stores – at cost	4,663	3,787
Ore stockpiles – at lower of cost or net realizable value	1,620	1,149
Concentrate in stockpiles and in transit – at cost	679	578
	<u>6,962</u>	<u>5,514</u>
5. Deferred financing fees		
Deferred fees paid and value of options granted	1,100	1,100
Amortization	(510)	(421)
	<u>590</u>	<u>679</u>
6. Deferred mining costs		
Costs at the beginning of period	2,617	1,975
Waste stripping costs deferred during the period	316	642
Costs at end of period	<u>2,933</u>	<u>2,617</u>

During the three months period ended March 31, 2005, the Company deferred \$0.316 million (six months period ended December 31, 2004 - \$0.642 million) for deferred stripping costs based on a life of mine strip ratio of 8.4:1 compared to the actual average strip ratio for the March 2005 quarter of 14.9:1 (December 2004 - 11.8:1).

The Company adopted in March 2005 a revised optimised open pit mine plan which as a result will change the prospective strip ratio for the remaining life of the open pit to 19.2:1. This revised strip ratio was first applied in March 2005 for GAAP purposes. This pit plan is subject to change once further deep drilling is completed and the optimum level from which an underground mine should be commenced is determined.

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

	March 31 2005	December 31 2004
	\$	\$
7. Exploration and evaluation expenditure		
Exploration and evaluation expenditure at beginning of period	4,727	2,194
Expenditure incurred	3,046	2,533
Acquisition cost of new development properties (see Note 11(c))	12,211	-
Exploration and evaluation expenditure at end of period	<u>19,984</u>	<u>4,727</u>
Costs incurred on:		
Dikulushi, Dikulushi regional and Copperbelt exploration projects in the DRC	19,153	4,117
Philippines regional exploration project	91	71
Duc Bo exploration project – Vietnam	740	539
	<u>19,984</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	March 31 2005		
	Cost \$	Accumulated depletion, amortization and writedown \$	Net book value \$
Dikulushi⁽¹⁾			
Land and buildings	2,145	(332)	1,813
Plant and equipment	18,333	(3,126)	15,207
Mine property	6,249	(2,827)	3,422
Construction work in progress	1,214	-	1,214
	<u>27,941</u>	<u>(6,285)</u>	<u>21,656</u>
Corporate and other⁽²⁾	216	(29)	187
Total	<u>28,157</u>	<u>(6,314)</u>	<u>21,843</u>
			December 31 2004
	Cost \$	Accumulated depletion, amortization and writedown \$	Net book value \$
Dikulushi⁽¹⁾			
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>
Corporate and other⁽²⁾	207	(12)	195
Total	<u>26,492</u>	<u>(4,983)</u>	<u>21,509</u>

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

⁽²⁾ The 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	March 31 2005	December 31 2004
	\$	\$
RMBI project financing	6,750	8,125
Total long-term debt	6,750	8,125
Less: current portion	(6,750)	(6,625)
	<u>0</u>	<u>1,500</u>
The scheduled minimum repayments are as follows:		
Financial year 2005	5,250	6,625
Financial year 2006	1,500	1,500
	<u>6,750</u>	<u>8,125</u>

RMB International (Dublin) Limited ("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 \$4.5 million and scheduled repayments commenced on December 31, 2002. In October 2003, RMBI increased the Stage I project financing facility by \$5.0 million for the Company to undertake the Stage II expansion of the Dikulushi Mine. In November 2004, RMBI further extended the facility by \$2.4 million to finance a replacement mining fleet for the Dikulushi Mine. At March 31, 2005, the Company had no unused finance facilities.

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 March 31, 2005 was 5.5% (December 31, 2004 – 4.3%).

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 March 31, 2005, 26,800 tonnes of copper had been sold and in aggregate \$3.461 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

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

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

10. Equity accounts	March 31 2005 \$	December 31 2004 \$
Common shares (a)	34,424	23,302
Special warrants (b)	-	12,766
Contributed surplus	5,208	2,672
	<u>39,632</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.

Issued:

		March 31 2005		December 31 2004	
		Number of shares	Amount \$	Number of shares	Amount \$
Balance – Beginning of period		25,624,229	23,302	23,554,229	16,800
Exercise of stock options	(i)	-	-	70,000	67
Issue of shares for acquisitions	(iv)	165,119	804	-	-
Conversion of special warrants to common shares	(ii)	3,240,000	10,339	2,000,000	6,879
Transfer from contributed surplus	(i)	-	-	-	53
Share issue expenses	(iii)	-	(21)	-	(497)
Balance – End of period		<u>29,029,348</u>	<u>34,424</u>	<u>25,624,229</u>	<u>23,302</u>

(i) During the six months ended December 31, 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 \$3.0 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 Societe de Traitements de Rejets 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 are subject to a hold period until May 26, 2005.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**(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 entitles the holder to purchase one Common shares at a price of C\$6.25 at any time up to the expiry date. However, if the trading price of the Company's common shares exceeds C\$8.00 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.

At March 31, 2005 the Company had no special warrants outstanding.

(c) 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 March 2005 that have been granted or cancelled were as follows:

Date	Details	Notes	No. of Warrants	Exercise Price	Fair Values \$
June 2004	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)
March 2005	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).

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

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 March 31, 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 March 31, 2005 was \$0.17 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 \$12.5 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 \$0.75 million (C\$927,000), to acquire its 87.5% interest in Emiko, which in turn has an 80% interest in the Mutoshi Project.

The remainder of the project acquisition purchase price will be paid in cash as follows: \$2.0 million on April 14, 2005; \$1.25 million on July 7, 2005; \$1.25 million on January 7, 2006 and the balance of \$4.353 million is to be paid in 18 equal monthly payments beginning four months after the start of commercial production. At March 31, 2005 this commitment has been included in the balance sheet at its fair value of \$8.211 million. The current liability amount of the purchase consideration payable of \$4.864 million is recorded in other liabilities and non current liability of \$3.347 million shown as Purchase consideration payable.

The Company is currently in negotiations on a facility to finance the Kulumaziba coarse rejects/tailings Project (Kulu Project) stage I capital development and deferred acquisition 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 March 31, 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.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)**(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 March 31, 2005 the amount to be repatriated was \$1.018 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.

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 Vietnam and Philippine operations are exploration projects. 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:

Total assets - Geographical Reporting	March 31	December 31
	2005	2004
	\$	\$
Democratic Republic of Congo	52,550	35,550
Zambia	424	430
Vietnam	740	539
Philippines	92	71
Australia and Canada ⁽¹⁾	8,545	19,968
	62,351	56,558

(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:

Revenues - Geographical Reporting	Quarter ended March 31	
	2005	2004
	\$	\$
Democratic Republic of Congo	7,695	7,340

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”.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

13. Earnings (loss) per share

	Quarter ended March 31	
	2005	2004
Basic earnings per share	(0.06)	0.09
Diluted earnings per share	(0.06)	0.08
Weighted average number of ordinary shares outstanding		
- basic earnings per share	28,294,271	19,081,449
Weighted average number of ordinary shares outstanding		
- diluted earnings per share	28,294,271	20,713,196

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

	Quarter ended March 31 2005		
	Income \$	Shares Number	Per share amount
Basic earnings/(loss) per share			
Income available to shareholders	(1,667)	28,294,271	(0.06)
Effect of dilutive securities			
Options		0	
Diluted earnings/(loss) per share			
Income available to shareholders and assumed conversions	(1,667)	28,294,271	(0.06)
	Quarter ended March 31 ⁽¹⁾ 2004		
	Income \$	Shares Number	Per share amount
Basic earnings per share			
Income available to shareholders	1,721	19,081,449	0.09
Effect of dilutive securities			
Options		1,631,747	
Diluted earnings per share			
Income available to shareholders and assumed conversions	1,721	20,713,196	0.08

(1) Restated for comparative purposes to the post Reorganization basis.

(2) Potentially dilutive shares excluded from the Dilutive earning per share calculation is 1,358,871 (December 2004 - Nil)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

14. Supplementary cash flow information

	Quarter Ended March 31	
	2005	2004
	\$	\$
(a) Changes to non-cash working capital		
Accounts receivable	(1,697)	(821)
Inventories	(1,448)	(199)
Prepaid expenses and deposits	273	(195)
Deferred mining	(316)	(540)
Accounts payable and accrued liabilities	54	431
Tax provision	(45)	15
Other liabilities	(142)	91
	<u>(3,321)</u>	<u>(1,218)</u>
(b) Other information		
Interest and financing fees paid	(647)	(640)
Income tax paid	(39)	-