

Anvil Mining Limited

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

Anvil Mining Limited

Consolidated Financial Statements

As at and for the year ended December 31, 2008

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.

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

March 17, 2009

Auditors' Report to the Shareholders of Anvil Mining Limited

We have audited the consolidated balance sheets of Anvil Mining Limited as at December 31, 2008 and 2007 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers

Chartered Accountants

Perth, Australia

March 17, 2009

Consolidated Balance Sheets

	Notes	December 31 2008 \$	December 31 2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	45,033	215,754
Restricted cash	8	871	322
Accounts receivable	9	24,243	65,761
Inventories	10	31,064	32,221
Available-for-sale investments	11	24,032	63,800
Prepaid expenses and deposits	12	51,258	21,449
		176,501	399,307
Equity accounted investment	13	1,320	5,766
Long-term inventory	10	10,651	-
Long-term receivable	14	12,464	3,966
Exploration and acquisition expenditure	15	51,352	49,680
Property, plant and equipment	16	280,334	228,052
Future income tax asset	6	-	1,884
		532,622	688,655
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	17	34,731	25,044
Income taxes payable		463	5,116
Other liabilities		2,460	1,296
Current portion of long-term debt		362	-
		38,016	31,456
Future income tax liability	6	24,431	39,587
Long-term debt		321	-
Asset retirement obligations	18	12,980	11,668
		75,748	82,711
Non-controlling interest	19	1,909	13,880
		77,657	96,591
Shareholders' equity			
Equity accounts	20	383,419	382,108
Retained earnings		70,987	209,524
Accumulated other comprehensive income		559	432
Total shareholders' equity		454,965	592,064
		532,622	688,655
Nature of operations and going concern	1		
Commitments	21		
Subsequent events	25		

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 Statement of Income and Comprehensive Income

	Notes	Year Ended December 31	
		2008	2007
		\$	\$
Concentrate sales		191,240	263,234
Operating expenses		(150,876)	(85,785)
Amortization		(43,400)	(17,163)
		(3,036)	160,286
Other income	5	8,173	11,852
Share of loss in associates	13	(891)	-
Provision for impairment of assets	5	(103,142)	(9,367)
General, administrative and marketing		(22,748)	(14,841)
Exploration expenditure written off	5	(31,290)	(4,389)
Foreign exchange gains		140	95
Stock based compensation	20	(2,582)	(2,484)
Interest and financing fees	5	(1,379)	(2,242)
(Loss) / earnings before income tax and non-controlling interest		(156,755)	138,910
Income tax recovery / (expense)		12,857	(8,537)
Non-controlling interest share of loss / (gain)		5,361	(13,209)
Net (loss) / income		(138,537)	117,164
Other comprehensive income, net of taxes			
Net unrealized gains / (losses) on available-for-sale investments		127	(254)
Total comprehensive (loss) / income		(138,410)	116,910
Basic (loss) / earnings per share (\$)	23	(1.95)	1.81
Diluted (loss) / earnings per share (\$)	23	(1.95)	1.77

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

Consolidated Statements Of Changes In Shareholders' Equity

	December 31, 2008		December 31, 2007	
	Number	Amount	Number	Amount
Common shares				
Balance at beginning of period	71,115,244	377,350	56,707,554	183,503
Exercise of stock options	129,334	982	550,982	2,439
Share issue	-	-	12,384,615	188,771
Issue of shares for acquisition	-	-	872,093	9,000
Exercise of warrants	-	-	600,000	3,694
Share issue expenses	-	-	-	(10,057)
Shares purchased under Executive and Senior Staff Incentive Plan ("ESSIP")	-	(1,982)	-	-
Balance at end of period	71,244,578	376,350	71,115,244	377,350
Contributed surplus				
Balance at beginning of period		4,758		3,020
Employee stock based compensation recognised		2,582		2,484
Transfer to common shares		(271)		(746)
Balance at end of period		7,069		4,758
Equity accounts		383,419		382,108
Retained earnings				
Balance at beginning of period		209,524		92,714
Adjustment to opening retained earnings		-		(190)
Share of loss in associates		-		(164)
Net (loss) / income for the period		(138,537)		117,164
Balance at end of period		70,987		209,524
Accumulated other comprehensive income				
Balance at beginning of period		432		559
Adjustment to opening other comprehensive income		-		127
Net unrealized losses on available-for-sale investments		(5,727)		(254)
Losses on available-for-sale investments recognised in income statement as impairment		5,854		-
Balance at end of period		559		432
Shareholders' equity at end of period		454,965		592,064

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

Consolidated Statement of Cash Flows

	Notes	Year Ended December 31	
		2008 \$	2007 \$
Cash flows from operating activities			
Net (loss) / income for the period		(138,537)	117,164
Items not affecting cash:			
- Amortization		43,400	17,163
- Provision for impairment of assets		103,142	9,367
- Accretion expense		1,312	-
- Provision for doubtful debts		7,775	-
- Exploration expenditure written off		31,290	4,389
- Share of loss in associates		891	-
- Loss on sale of assets		278	-
- Non-controlling interest share of income / (loss)		(5,361)	13,209
- Borrowing costs – amortized		-	715
- Unrealized foreign exchange gains/(losses)		298	(169)
- Future income tax		(13,271)	1,935
- Stock based compensation		2,582	2,484
Changes in non-cash working capital	24	8,709	(42,932)
		42,508	123,325
Cash flows from investing activities			
Payments for property, plant and equipment		(186,156)	(91,961)
Proceeds from sale of assets		475	11
Payments for exploration expenditure		(33,271)	(20,377)
Payment for additional interest in AMCK Mining s.p.r.l		-	(36,000)
Investment in Sub-Sahara Resources NL		-	(6,090)
Proceeds of principal repayments from investments		13,399	22,996
		(205,553)	(131,421)
Cash flows from financing activities			
Proceeds from issue of shares (net of issue expenses)		711	183,666
Payment for borrowings fees		-	(115)
Movement in restricted cash		(550)	(103)
Proceeds from borrowings (net of fees incurred)		800	-
Shares purchased under ESSIP		(1,982)	-
Repayments of borrowings		(117)	(12,000)
Disbursements on behalf of Dikulushi Trusts		(6,610)	(7,620)
		(7,748)	163,828
Net decrease in cash and cash equivalents		(170,793)	155,732
Cash and cash equivalents at beginning of the period		215,754	59,302
Effects of exchange rate changes on cash held in foreign currencies		72	720
Cash and cash equivalents at end of the period		45,033	215,754

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

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations and Going Concern

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 "Mutoshi 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.

The financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Group is committed to the development of the Kinsevere Stage II Solvent Extraction-Electrowinning ("SX-EW") plant, however the associated fabrication and construction works have been placed on hold.

The recoverability of capitalized costs in relation to the Group's current operations in the DRC is dependent on the ability of the Group to successfully build and operate the Kinsevere Stage II SX-EW processing plant. The amounts shown as Inventories, Prepaid expenses and deposits, Exploration and acquisition expenditure, Property, plant and equipment represent costs capitalized to date, less amounts recovered or written off.

In addition to its working capital requirements, the Group currently has capital commitments of \$40 million over the coming year relating to the Kinsevere Stage II SX-EW processing plant. In addition the Group expects that a further \$200 million, approximately, will be required to complete the construction and commissioning of this plant, based on current estimates.

The Group does not have sufficient cash or debt facilities to fund the development of the Kinsevere Stage II SX-EW processing plant. As a result the Group will require additional funding which, if not raised, will result in project delays. The Group is currently examining a number of financing alternatives to allow for this development to proceed. However there can be no assurance that the Group's financing activities will be successful or sufficient. Consequently, there is significant doubt over the Group's ability to continue as a going concern and to meet its obligations as they become due and, accordingly, the appropriateness of the use of the accounting principles applicable to a going concern.

The Group's ability to continue as a going concern is dependent upon its ability to fund its working capital, complete the construction of the Kinsevere Stage II SX-EW plant and generate positive cash flows from these operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). 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 statement statements in conformity with Canadian GAAP requires the Group to make certain estimates and assumptions about the future, which are inherently uncertain and may have a material impact on the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group makes estimates and judgements based on historical experience and other appropriate factors apparent at the time financial statements are prepared, these judgements are continually evaluated and updated where necessary.

The estimates and assumptions that have a significant risk of causing a material impact to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of long-lived assets

The Group assesses annually whether there are indicators of impairment. Where such indicators are present, the carrying amount of assets and liabilities are compared to the undiscounted cash flows. Where the carrying amount is in excess of these amounts an impairment loss is recognised in accordance with the policy as described in note 2(u).

These calculations require and are sensitive to the use of assumptions. An explanation of the key assumptions required in these assessments is described in note 5.

NOTES TO THE FINANCIAL STATEMENTS*(ii) Useful lives of property, plant and equipment and mine properties*

The Group's management determines the useful lives of property, plant and equipment and mine properties based on a combination of applicable mine life, or where shorter for property, plant and equipment, the relevant lives described in note 2(l).

Given the required use of estimates in the measurement of contained mineral content, mine lives are subject to inherent measurement uncertainty. Actual mineral content may significantly differ to estimates which could result in a change to future amortisation and depreciation charges. Management will increase the charge where useful lives are less than the previously estimated useful lives and reduce the charge where they are greater than those estimates. Reductions in a life of mine may indicate an impairment, in which case management would assess the recoverability of those assets.

Similarly estimates of useful lives for property, plant and equipment with lives shorter than the applicable mine life are open to measurement uncertainty. These result from uncertainties regarding future technical obsolescence, wear and tear and useful employment in the business of such assets.

(iii) Fair values of financial instruments

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. These valuations are sensitive to changes in underlying assumptions such as discount rates and credit spreads. Experience adjustments in future periods to these assumptions may materially change recorded amounts. Such adjustments may result from changes in the market's pricing of risk, credit standing of individual counterparties, default rates and other market based factors.

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 Mutoshi mines and in Anvil's other principal businesses is the United States Dollar ("US\$" or "US Dollar"). Accordingly, the Group has adopted the United States Dollar as its reporting currency.

d) Foreign currency translations

The Group 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.

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 initially recognized at fair value, which due to the short-term settlement period (no more than 60 days) is consistent with the settlement amount. The collectability of receivables is reviewed on an ongoing basis. A provision for doubtful debts is recognized when there is evidence that the Group will not be able to collect all amounts due. The amount of provision for uncollectible receivables is recognised in the income statement within operating expenses. When a trade receivable for which a doubtful debts provision had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

h) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

net realizable value ("NRV").

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 NRV. 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.

j) Deferred mining costs

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the costs of inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve in the betterment accessed by the stripping activity using the units of production method.

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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS**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 Group 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 Group'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 Group 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 (loss) per share

The Group 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 Group 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*(i) Available-for-sale investments*

Investment in marketable securities are classified as available-for-sale and recorded at fair value. Investment transactions are recognised on the trade date with transaction costs included in the underlying balance. 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.

(ii) Equity Accounted Investments

Investments in which the Group 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 Group's pro-rata share of post acquisition income or loss. The amount of adjustment is included in the determination of net income of the Group, and the investment account of the

NOTES TO THE FINANCIAL STATEMENTS

Group is also increased or decreased to reflect the Group'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. Trade and other payable are initially recognised at fair value and subsequently measured at amortised cost.

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. They are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Collectability and impairment are assessed on a regular basis.

u) Impairment

The Group performs impairment tests on property, plant and equipment, mineral properties and mine development costs when events or changes in circumstances occur that indicate the assets may not be recoverable. Where information is available and conditions suggest impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources, and operating, capital and reclamation costs on an undiscounted basis. When estimated future cash flows are less than the carrying value, the project is considered impaired. Reductions in the carrying value of a mine or development project are recorded to the extent the net book value exceeds the discounted estimated future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered.

Management estimates of mineral prices, recoverable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near-term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

v) Significant accounting changes

Capital Disclosures and financial Instruments – Disclosures and Presentation

On January 1, 2008 the Group adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 1535: Capital Disclosures, Handbook Section 3862: Financial Instruments – Disclosures and Handbook section 3863: Financial Instruments – Presentation.

Capital Disclosures

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.

Financial Instruments Disclosure and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure 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.

Inventories

Section 3031 provided guidance on the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Group adopted the new standard effective January 1, 2008 and there was no significant impact on the financial statements.

Going Concern

Section 1400 provides for management to make an assessment of an entity's ability to continue as a going concern. In making its assessment, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. It also provides for disclosure of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as going concern.

w) New Accounting changes

Section 1582 Business combinations, Section 1601 consolidated financial statements and Section 1602 non-controlling interests

These sections replace the former CICA 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to FASB Statements No. 141(R), Business Combinations and No. 160 Non-controlling Interests in Consolidated Financial Statements. CICA 1582 is effective for business combinations for which

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the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Goodwill and intangible assets

CICA 3064 replaces CICA 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of IAS 38, Intangible Assets. CICA 1000 is amended to clarify criteria for recognition of an asset. CICA 3450 is replaced by guidance in CICA 3064. EIC 27 is no longer applicable for entities that have adopted CICA 3064. A number of other EIC Abstracts have consequential amendments (refer to CICA Revision Release No. 50 for a complete list). AcG 11 is also amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064. Effective for interim and annual financial statements for years beginning on/after October 1, 2008. The Group is currently assessing the impact of these new accounting standards on its consolidated financial statement.

Convergence with International Financial Reporting Standards ("IFRS")

Canadian GAAP for public companies is transitioning to IFRS. The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Group's consolidated financial statements has not yet been determined.

3. Financial Risk Management

The Group's activities are exposed to a variety of financial risks, which include foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. From time-to-time, the Group may use foreign exchange forward contracts, commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. The use of derivatives is based on established practices and parameters, which are subject to the oversight of the Board of Directors. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

The Group holds the following financial instruments as at December 31, 2008:

Financial assets

Cash and cash equivalents	45,033
Restricted cash	871
Accounts receivable	24,243
Available-for-sale investments	24,032
Long-term receivable	12,464
	106,643

Financial liabilities

Accounts payable and accrued liabilities	34,731
Long-term borrowings	683
	35,414

(a) Market Risk*(i) Foreign Exchange Risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a foreign currency. The risk is measured on the basis of forecast cash flows. The Group reviews its foreign currency needs and may take appropriate financial derivatives as required to mitigate the risks.

As at December 31, 2008, with other variables unchanged, a plus or minus 10% change in the value of the US dollar against other currencies would have an affect of \$0.3 million on net income for the period.

(ii) Commodity Price Risk

The Group is subject to price risk from fluctuations in market prices of commodities. The Group has elected not to actively manage its exposure to commodity price risk at this time. From time-to-time, the Group may use commodity price contracts to manage its exposure to fluctuations in commodities prices. The use of derivatives is based on established practices and parameters, and is subject to approval by the Board. The Group's commodity price risk associated with financial instruments primarily relates to changes in fair value caused by settlement adjustments to receivables. The following represents the effect on net income after-tax from a 10% change to metal prices on receivable balances that have been provisionally priced, based on the December 31, 2008 prices. There is no impact on other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Impact of commodity price risk on financial instruments:

	Average Price for December 2008	Change	Effect of financial instruments on net income for the year
Copper - (3 month)	\$3,072 per tonne	+/- 10%	\$0.5 million
Silver - (3 month)	\$10.29 per ounce	+/- 10%	\$0.1 million

(iii) Securities Price Risk

The Group is exposed to securities price risk. This principally arises from investments held by the Group and classified on the balance sheet as available-for-sale. To manage its price risk arising from investments in securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The credit exposure of financial assets is disclosed under (b) of credit risk disclosure.

The Group seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Board, normally quarterly. The Group does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The table below summarises the diversified portfolio of available-for-sale investments by credit exposure.

Asset Group	Face Value	Fair Value	Rating	% of Total Portfolio Investment	
Asset backed securities	44,318	19,067	AAA	13,219	79.34
			AA	1,632	
			AA-	1,079	
			A+	2,515	
			BBB+	622	
			CCC-	-	
Credit linked note	5,000	-	D	-	-
Mortgage backed securities	10,418	4,965	AAA	3,219	20.66
			AA	1,746	
			D	-	
Total	59,736	24,032		24,032	100.00

The maturity dates of for the available-for-sale investments range from one year to six years. While the Group has \$5.5 million of available-for-sale investments maturing within 12 months, the majority of these investments (over 70 per cent) have expected maturity dates during 2013 and 2014.

(iv) Interest Rate Risk

The Group's main interest rate risk arises from available-for-sale investments and short-term deposits. These investments are managed as a portfolio by an external consultant who operates under the guidance and instructions from management subject to policies mandated by the Board. The Group has significant cash balances and very little interest-bearing debt. The Group's current policy is to invest excess cash in short-term deposits with major international banks. The Group periodically monitors the investment it makes and is satisfied with the credit rating of its banks.

As at December 31, 2008, with other variables unchanged, a plus or minus 1% change in interest rates, on investments whose interest rates are not fixed, would affect net income by plus or minus \$0.3 million for the year.

(b) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group's primary counterparties related to its available-for-sale investments carry investment grade ratings. The Group manages credit risk for trade and other receivables through established credit monitoring activities. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group does not have a significant concentration of credit risk with any single counterparty or group of counterparties. The Group's maximum exposure to credit risk at the reporting date is the carrying value of receivables, cash and cash equivalents and available-for-sale investments. Credit risk is managed as noted in Notes 9(a), 7, and 11(a) with respect to cash, receivables, and securities in the available-for-sale investment portfolio respectively.

NOTES TO THE FINANCIAL STATEMENTS

(c) Liquidity Risk

As at December 31, 2008 the Company had \$45.0 million in cash, \$24.0 million in available-for-sale investments, \$19.3 million in trade receivables and no debt.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. During the fourth quarter of 2008, the Company announced initiatives focused on significantly reducing costs and expenditures. These initiatives included: suspension of engineering, construction and fabrication works for development of Kinsevere Stage II until such time as the required funding has been secured; placement of the Dikulushi operation on care and maintenance; conclusion of Heavy Media Separation ("HMS") processing operations at Mutoshi; and a reduction in corporate overhead costs.

The Company requires additional funding in order to complete the Kinsevere Stage II development of the 60,000 tonnes per year SX-EW plant and continues to make progress in obtaining the necessary funding. An update of the previously completed technical due diligence report is underway, which when completed will form the basis for financiers to seek credit approval for provision of a debt facility to the Company. It is anticipated that this process will take approximately two to three months before credit approval could be obtained.

(d) Maturities of Financial Liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Accounts Payable & Accruals	Bank Loans	Capital Commitments	Entry Premium ¹	Total
Within one year	34,731	442	39,972	10,000	85,145
In one to two years	-	312	-	5,000	5,312
In two to three years	-	52	-	-	52
	34,731	806	39,972	15,000	90,509
Effect of discount rates	-	(123)	-	-	(123)
Off balance sheet item (post balance sheet event)	-	-	(39,272)	(15,000)	(54,272)
Balance sheet carrying value	34,731	683	-	-	35,414

¹ An additional "pas de porte" (entry premium) payment of \$15 million is to be made in connection with the amendment agreement reached with *La Générale des Carrières et des Mines* ("Gécamines") on the Kinsevere Lease Agreement. Of this \$15 million, \$10 million is to be paid within six months of the amended agreement coming into effect and the balance within 12 months. In the event that Anvil arranges financing of \$125 million or more, the timing of payments will be revised such that \$10 million shall be paid within 14 days of the receipt of funds of such financing and \$5 million paid within six months of the date of payment of the \$10 million.

(e) Concentration of credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Group. The Group believes that its maximum exposure to credit risk as at December 31, 2008 is the carrying value of its trade receivables.

Concentrate produced at the Group's Dikulushi, Mutoshi and Kinsevere mines are sold to a small number of metal traders with whom the Group has established long-term relationships. Limited amounts are occasionally sold locally on an ad hoc basis. The payment terms vary and provisional payments are normally received within 2-4 weeks upon delivery, in accordance with the industry practice, with final settlement up to four months following the date of shipment. For the year ended December 31, 2008, the Group derives approximately 70% of its revenues from two major customers.

(f) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale investments) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

NOTES TO THE FINANCIAL STATEMENTS

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value of the remaining financial instruments. The available-for-sale investments are valued using the above mentioned techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value, less impairment provision of trade receivables and payables is assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Capital Risk Management

Section 1535 requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance.

The Group's objectives when managing capital are to continue to provide returns for shareholders, and comply with lending requirements if any while safeguarding the Group's ability to continue as going concern. The Group considers the items included in the shareholders' equity to be capital.

The Group manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Group's assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

	Year Ended December 31	
	2008	2007
	\$	\$
5. Other income		
Interest received	8,287	11,934
Other Income/ (Expenses)	(114)	(82)
	8,173	11,852
Interest and financing fees		
Interest	67	821
Accretion of asset retirement obligation	1,312	706
Amortization of deferred borrowing costs	-	715
	1,379	2,242
Provision for impairment		
Relating to available-for sale-investments	26,338	9,367
Relating to equity accounted investments	3,555	-
Relating to long lived assets	62,111	-
Relating to inventory	11,138	-
	103,142	9,367

In the fourth quarter of 2008 general conditions in credit markets deteriorated substantially, which had a serious impact on the global economy and contributed to a significant and rapid decline in the demand for and selling price of copper and silver. Average base metal prices were down significantly from average prices in the fourth quarter of 2007, with two of the Group's major products, copper and silver, down 45% and 28% respectively.

Long-lived assets including deferred mining costs, exploration, evaluation and development expenditure, property plant and equipment and mine properties are initially recognised in the financial statements in accordance with the Group's accounting policies set out in Note 2. These long-lived assets are also tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the years ended December 31, 2008 and 2007, the Company undertook a review of all mining assets in light of recent economic events and associated declines in the outlook for metal prices in the near- to-mid term.

NOTES TO THE FINANCIAL STATEMENTS

The group primarily used discounted cash flows (income approach) to determine the fair value of its long-lived assets subject to impairment. The discounting of future cash flows requires management to make estimates and use assumptions which include, but are not limited to, forecast metal prices, discount rates, operating costs, exchange and inflation rates and the estimated useful life of the assets.

Significant property acquisition, exploration, evaluation and development costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned or placed into production. No costs are deferred on a mineral property that is considered to be impaired in value. For exploration properties, the Group used a market approach whereby the market prices of actual transactions involving similar assets are used to determine fair values.

The Group reviewed inventories (stores and consumables) as a result of initiation of care & maintenance programs at Dikulushi, Mutoshi and the HMS and spirals processing operation at Kinsevere. The recoverability of these stores and consumables were evaluated in terms of residual value (sale to an independent willing buyer) with regard to current economic scenario and available supply of mining consumables. The provision for impairment was based on the potential loss on their disposal.

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes the impairment charges and exploration and acquisition expenditure written off for the years ended December 31, 2008 and 2007:

	Year Ended December 31	
	2008	2007
	\$	\$
Provision for impairment relating to long lived assets		
Mineral Properties		-
Mutoshi (Kulu River Project)	4,397	-
Dikulushi (Underground development and processing plant)	18,165	-
Plant & Equipment		-
Kinsevere (Electric-Arc Furnace ("EAF"), HMS and Spirals Plant)	26,626	-
Mutoshi (HMS plant)	654	-
Dikulushi (flotation circuit, mobile equipment)	11,458	-
Land & Buildings		-
Dikulushi (Camp & Buildings)	811	-
Total Long lived asset impairment	62,111	-
Provision for impairment relating to inventory (stores and consumables)		
Kinsevere (HMS, EAF & Spirals Plant)	3,017	-
Mutoshi (HMS Plant)	330	-
Dikulushi (Underground & Process Plant spares)	7,791	-
	11,138	-
Exploration and acquisition expenditure written off		
Exploration Expenditure ⁽¹⁾		
Dikulushi mine and regional projects	(9,908)	-
Mutoshi projects	(3,985)	-
Kinsevere-Nambulwa projects	(1,561)	(3,326)
Philippines regional exploration projects	(2,500)	-
Duc Bo exploration project - Vietnam	-	(1,063)
	(17,954)	(4,389)
Acquisition expenditure ⁽²⁾		
Mutoshi projects	(11,879)	-
Kinsevere-Nambulwa projects	(1,457)	-
	(13,336)	-
Total Exploration Expenditure written off		
Dikulushi mine and regional projects	(9,908)	-
Mutoshi projects	(15,864)	-
Kinsevere-Nambulwa projects	(3,018)	(3,326)
Philippines regional exploration projects	(2,500)	-
Duc Bo exploration project - Vietnam	-	(1,063)
	(31,290)	(4,389)

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.

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended December 31 2008 \$	Year Ended December 31 2007 \$
6. 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:		
(Loss) / earnings before income tax and non-controlling interest	(156,755)	138,910
Income taxes at Canadian statutory rates – 30.9% (2007:32.0%)	(48,437)	44,479
Difference in tax rates	4,944	(39,871)
Non-deductible expenses	2,696	390
Tax losses not recognised	10,574	-
Adjustment in respect of current income tax of previous year	1,683	-
Provision for impairment not deductible for tax	15,683	3,539
Taxation (recovery) / expense	(12,857)	8,537
Comprising:		
- Current income taxes	415	6,602
- Future income taxes	(13,272)	1,935
(b) Future Income Tax		
Future Income tax liabilities		
Exploration expenditure	31,031	34,164
Mining property	5,227	5,423
Other	164	-
	36,422	39,587
Set-off future tax assets	(11,991)	-
Net future tax liability	24,431	39,587
Future income tax assets		
Non-capital loss carry forwards	22,957	3,647
Inventory	2,131	-
Property, Plant & Equipment	4,354	-
Other	271	-
	29,713	3,647
Less: Valuation allowance	(17,722)	(1,763)
Less: Set off future tax liabilities	(11,991)	-
Net future tax asset	-	1,884

The Group has the following non-capital loss carry-forwards that may be available for tax purposes:

- (i) Canada- \$10.1 million (2007- \$5.5 million) expiring between 2025 and 2029
- (ii) Australia - \$5.0 million (2007- \$1.3 million) – indefinite
- (iii) DRC - \$ 50.1 million (2007- \$11.7 million) – indefinite

NOTES TO THE FINANCIAL STATEMENTS

A valuation allowance of \$17.7 million (2007 \$1.8 million) has been recorded against the potential income tax benefits of the carry-forward losses, as realization thereof cannot at this time be considered more likely than not.

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 Mutoshi 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 Mutoshi and Kinsevere mine operations is 30%.

	December 31 2008	December 31 2007
	\$	\$
7. Cash		
Cash at bank and in hand	6,178	40,011
Deposits at call	38,855	175,743
	<u>45,033</u>	<u>215,754</u>

(a) Credit Risk Exposure

All cash investments not held in transactional bank accounts are invested in term deposits held with major international banks. The credit risk exposure of the Group in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

	December 31 2008	December 31 2007
	\$	\$
8. Restricted cash		
Cash deposits held as security	871	322

At December 31, 2008 and December 31, 2007, cash deposits were held by the Group's bankers against deposits held for future mine property rehabilitation and guarantees for acquisition of equipment related to Kinsevere Stage II.

	December 31 2008	December 31 2007
	\$	\$
9. Accounts receivable		
Trade receivables (net of provision for doubtful debts)	19,349	59,366
Accrued interest income	452	598
Advances to suppliers and contractors	1,423	5,045
Other	3,019	752
	<u>24,243</u>	<u>65,761</u>

Receivables are non-interest bearing and unsecured. Trade receivables are on the terms operating in the commodities industry, which usually require settlement within three to five months of the quotation period. The credit risk exposure of the Group in relation to receivables is the carrying amount. At December 31, 2008 the Group had 3,489 tonnes of contained copper that had been provisionally priced at an average LME copper price of \$1.40 per pound.

NOTES TO THE FINANCIAL STATEMENTS

(a) Impaired trade receivables

As at December 31, 2008, current trade receivables of the Group with a nominal value of \$7.8 million (2007: Nil) were uncollectible. The amount of provision for uncollectible trade receivables was \$7.8 million (2007: Nil) related to doubtful debts following a review of the receivables with regard to recoverability, financial standing of the counterparty and defaults in payments. Movement in the provision for doubtful debts are as follows:

	December 31, 2008	December 31, 2007
	\$	\$
Opening Balance	-	-
Add: provision for doubtful debts recognised during the year	7,775	-
Less: Receivables written off during the year as uncollectible	-	-
Closing Balance	<u>7,775</u>	<u>-</u>

The creation and release of provision for doubtful debts has been included in "operating expenses" in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Fully performing and past due but not impaired

As of December 31, 2008, trade receivables of \$11.6 million were fully performing and \$7.7 million were past due but considered collectable. These related to a number of independent customers for whom there is no recent history of default. The receipts from amounts past due but not impaired since December 31, 2008 total \$3.4 million. The ageing analysis of these past due trade receivables is as follows:

	December 31 2008
	\$
Up to 3 months:	7,131
3 to 6 months:	<u>572</u>
	<u>7,703</u>

(c) Foreign exchange and interest rate risk

Information about the exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 3.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 3 for more information on the risk management policy of the Group and the entity's trade receivables.

10. Inventories

	December 31 2008	December 31 2007
	\$	\$
Raw materials and stores – at NRV	6,819	11,997
Ore stockpiles – at cost	25,187	8,504
Concentrate in stockpiles and in transit – at NRV	9,709	11,720
	<u>41,715</u>	<u>32,221</u>
Less: Non-current (low grade ore stockpiles) – at cost	(10,651)	-
Current Portion of Inventory	<u>31,064</u>	<u>32,221</u>

The low-grade ore stockpiles at Kinsevere have been classified non-current as they are expected to be used in the Stage II SX-EW plant as from 2011.

NOTES TO THE FINANCIAL STATEMENTS

	December 31 2008	December 31 2007
	\$	\$
11. Investments		
Available-for-sale investments at cost	59,736	73,295
Available-for-sale investments at fair value	24,032	63,800

The current investments are a result of the cash received from the capital raising in March 2006 being placed into investment grade assets. The investments are intended to be held to maturity or liquidated should the Group's funding requirements necessitate.

(a) Credit risk and impairment

The maximum exposure to credit risk at the reporting date is the fair value of the investments classified as available-for-sale.

As at December 31, 2008, there were \$47.7 million of available-for-sale investments which were fully performing. No income relating to these investments was past due. Available-for-sale investments with a carrying value of \$12.0 million were fully impaired. Available-for-sale investments with a carrying value of \$47.7 million which had a decline in value other than temporary were reviewed for impairment against which a provision of \$23.7 million was recorded. The Group has received \$5.0 million of interest from the available-for-sale investments.

	December 31 2008	December 31 2007
	\$	\$
12. Prepaid expenses and deposits		
Prepayments to creditors and sub-contractors	49,428	16,845
Prepaid expenses – Other	1,045	4,490
Deposits	785	114
	51,258	21,449

Due to the location of the Group's mining and project development operations, suppliers require significant prepayment as a prerequisite for delivery to site. Over \$46.3 million of the prepayments to creditors and sub-contractors relate to procurement of equipment for Kinsevere Stage II and will be transferred to capital work in progress, in accordance with the Group's accounting policy once delivery occurs.

13. Equity accounted investment

Name of Company	December 31, 2008			December 31, 2007		
	Ownership interest %	No. of Shares	\$	Ownership interest %	No. of Shares	\$
Sub-Sahara Resources NL ("SBS")	18	90,000,000 ¹	1,320	18	90,000,000 ¹	5,766

¹ The Company also has options to purchase a further 25,000,000 shares at an exercise price of AUD 0.15 per share, that expires in July, 2009.

SBS is incorporated in Australia and listed on the Australian Securities Exchange ("ASX").

	December 31 2008	December 31 2007
	\$	\$
(a) Movements in carrying amounts		
Opening carrying value in SBS – at cost	5,766	
Cost of investments purchased during the period	-	6,090
Share of profits/(loss)	(891)	(324)
Provision for impairment	(3,555)	-
Carrying value at end of the period	1,320	5,766

NOTES TO THE FINANCIAL STATEMENTS

While the Company's intentions in relation to SBS have not changed, the provision for impairment was primarily due to a decline in the value of SBS investments in excess of 30% for each of the past two quarters. These investments have been written down to the market value as at December 31, 2008. The market value of this holding, based on the closing share price of SBS on the Australian Securities Exchange as at March 13, 2009 was \$0.9 million.

	December 31 2008	December 31 2007
	\$	\$
14. Long-term receivables		
Receivable from Société Nationale d'Électricité ("SNEL")	12,464	3,966

The Group entered in to a joint venture agreement with Ruashi Mining SPRL to construct infrastructure necessary to ensure supply of the required power for the operation of the Kinsevere Stage II SX-EW plant. Under the terms of this agreement, Anvil has agreed to provide \$15.2 million for development of this infrastructure. The expected completion date for the development of the infrastructure is the second quarter of 2009 at which time it shall become the property of SNEL, the Government electricity company of the DRC. The Group's costs incurred in this development will be recovered through a series of monthly repayments over a five-year period that commences six months from completion of the infrastructure development.

	December 31 2008	December 31 2007
	\$	\$
15. Exploration and acquisition expenditure		
Exploration and acquisition expenditure at beginning of period	49,680	127,138
Expenditure transferred to development properties	(309)	(92,196)
Expenditure incurred	33,271	20,377
Expenditure written off	(31,290)	(4,389)
Waiver of purchase consideration payable	-	(1,250)
Exploration and acquisition expenditure at end of period	51,352	49,680
Exploration expenditure per area of interest ¹		
- Kinsevere projects	21,057	7,299
- Dikulushi mine and regional projects	-	5,100
- Mutoshi projects	12,811	6,200
- Philippines regional exploration projects	3,009	3,270
	36,877	21,869
Acquisition expenditure per area of interest ²		
- Kinsevere projects	-	1,457
- Mutoshi projects	14,475	26,354
	14,475	27,811
Total exploration and acquisition expenditure per area of interest		
- Kinsevere projects	21,057	8,756
- Dikulushi mine and regional projects	-	5,100
- Mutoshi projects	27,286	32,554
- Philippines regional exploration projects	3,009	3,270
	51,352	49,680

The carrying value of expenditure on areas of interest in the exploration 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.

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2008		
	Cost	Accumulated depletion, amortization and write- down	Net book value
	\$	\$	\$
16. Property, plant and equipment			
Kinsevere ¹			
Land and buildings	6,050	(1,138)	4,912
Plant and equipment	68,879	(43,656)	25,223
Mine property	113,945	(15,885)	98,060
Capital work in progress	128,809	-	128,809
	317,683	(60,679)	257,004
Dikulushi ²			
Land and buildings	3,473	(2,727)	746
Plant and equipment	30,452	(28,085)	2,367
Mine property	29,630	(28,637)	993
Capital work in progress	103	-	103
	63,658	(59,449)	4,209
Mutoshi ³			
Land and buildings	1,013	(164)	849
Plant and equipment	7,489	(5,286)	2,203
Mine property	11,138	(8,108)	3,030
Capital work in progress	5,271	-	5,271
	24,911	(13,558)	11,353
Services ⁴			
Land and buildings	1,008	(176)	832
Plant and equipment	4,118	(1,979)	2,139
Capital work in progress	1,594	-	1,594
	6,720	(2,155)	4,565
Corporate and other ⁵	3,923	(720)	3,203
Total	416,895	(136,561)	280,334

1 The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC.

2 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

3 The Mutoshi property, plant and equipment includes all property, plant and equipment related to Mutoshi Stage I HMS plant, located at Kolwezi 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.

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2007		
	Cost	Accumulated depletion, amortization and write- down	Net book value
	\$	\$	\$
16. Property, plant and equipment			
Kinsevere ¹			
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
Capital work in progress	41,865	-	41,865
	<u>185,287</u>	<u>(9,840)</u>	<u>175,447</u>
Dikulushi ²			
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
Capital work in progress	2,606	-	2,606
	<u>51,116</u>	<u>(20,031)</u>	<u>31,085</u>
Mutoshi ³			
Land and buildings	277	(45)	232
Plant and equipment	5,784	(2,825)	2,959
Mine property	10,832	(2,057)	8,775
Capital work in progress	2,197	-	2,197
	<u>19,090</u>	<u>(4,927)</u>	<u>14,163</u>
Services ⁴			
Land and buildings	801	(92)	709
Plant and equipment	4,344	(1,589)	2,755
Capital work in progress	1,749	-	1,749
	<u>6,894</u>	<u>(1,681)</u>	<u>5,213</u>
Corporate and other ⁵	2,621	(477)	2,144
Total	<u>265,008</u>	<u>(36,956)</u>	<u>228,052</u>

1 The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC.

2 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.

3 The Mutoshi property, plant and equipment includes all property, plant and equipment related to the Mutoshi Stage I HMS plant located at Kolwezi 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.

NOTES TO THE FINANCIAL STATEMENTS

	December 31 2008 \$	December 31 2007 \$
17. Accounts payable and accrued liabilities		
Trade creditors	19,699	10,217
Creditor and other accruals	15,032	14,827
	34,731	25,044

18. Asset retirement obligation

The Group 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, 2008 and 2007:

	December 31 2008 \$	December 31 2007 \$
At January 1	11,668	1,402
Obligation incurred	-	9,560
Accretion expense	1,312	706
At December 31	12,980	11,668

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, 2008 the accretion expense in relation to the liability was \$1.3 million (year ended December 31, 2007: \$0.7 million).

19. Non-controlling interests and social development expenditure

The Group holds a beneficial interest of 90% in Anvil Mining Congo s.a.r.l. ("AMC") and, in addition, has administrative responsibility for the economic benefit of the remaining 10% interest, which is held in trust by the Group for the social, economic and infrastructure development of the region of the Group's activities at the Dikulushi mine. Wholly-owned subsidiaries of the Group are the trustees of the trusts.

The Group holds a beneficial interest of 80% in Société Minière de Kolwezi s.p.r.l. ("SMK") which is the owner and operator of the Mutoshi project, including the Stage I HMS development that processes material from the Kulumaziba river tailings deposit at the Kulu operation and the holder of other exploration tenements in the Kolwezi region.

The Group holds a beneficial interest of 95% in AMCK Mining s.p.r.l. ("AMCK") which is the owner and operator of the Kinsevere mine.

NOTES TO THE FINANCIAL STATEMENTS

The movements in non-controlling interests during the three months ended December 31, 2008 are as follows:

	December 31 2008 \$	December 31 2007 \$
(a) AMC – non-controlling interests		
Balance – beginning of period	11,361	6,495
Amounts disbursed on behalf of the Dikulushi Trusts during the period	(6,610)	(7,620)
Interests in net earnings of AMC	(2,842)	12,486
Balance – end of period	1,909	11,361
(b) SMK – non-controlling interest		
Balance – beginning of period	1,963	1,784
Interests in net earnings of SMK	(1,963)	179
Balance – end of period	-	1,963
(c) AMCK – non-controlling interests		
Balance – beginning of period	556	12
Interests in net earnings of AMCK	(556)	544
Balance – end of period	-	556
Total non-controlling interests – end of period	1,909	13,880
(d) Social development expenditure		
Social development expenses in operating expenses (Mutoshi and Kinsevere)	4,198	3,401
Social development expenses disbursed on behalf of the Dikulushi Trusts as disclosed in non-controlling interest	6,610	7,620
Total social development expenditure	10,808	11,021

NOTES TO THE FINANCIAL STATEMENTS

20. Common shares, share options and share warrants

(a) Equity Accounts

Common Shares	December 31, 2008		December 31, 2007	
	No. of Shares	Amount \$	No. of Shares	Amount \$
Balance – beginning of period	71,115,244	377,350	56,707,554	183,503
Exercise of stock options / warrants (i)	129,334	982	1,150,982	6,133
Issue of shares for acquisitions (ii)	-	-	872,093	9,000
Share issue (iii)	-	-	12,384,615	188,771
Share issue expenses (iv)	-	-	-	(10,057)
Shares purchased under ESSIP (v)	-	(1,982)	-	-
Balance – end of period	71,244,578	376,350	71,115,244	377,350
Contributed Surplus				
Balance – beginning of period	-	4,758	-	3,020
Employee stock based compensation recognised	-	2,582	-	2,484
Transfer to common shares	-	(271)	-	(746)
Balance – end of period	-	7,069	-	4,758
Equity Accounts	71,244,578	383,419	71,115,244	382,108

- (i) During the year ended December 31, 2008, employee stock option and warrant holders exercised their options/warrants over 129,334 (December 31, 2007: 1,150,982) common shares.
- (ii) 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.
- (iii) In June 2007, the Company completed a bought deal financing when it issued an aggregate of 12,384,615 common shares at a price of C\$16.25 per share for total gross proceeds of C\$201,249,994.
- (iv) The total share issue expenses relating to the bought deal financing described in (iii) above amounted to \$10.0 million.
- (v) The Company purchased shares under the ESSIP which are held in trust by the Company to be provided to senior executives upon accomplishment of set performance criteria.

(b) Stock option plan

Pursuant to the Anvil Mining 2008 Share Incentive Plan (the "Plan"), which was approved by the Company's shareholders at the 2007 Annual General Meeting, the Company may grant options and awards to directors, officers, employees and consultants. At December 31, 2008, the Company is able to issue an additional 4,798,483 (December 31, 2007– 4,948,645) common shares under the Plan.

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

The assumptions used in determining the fair values of stock options granted under the Stock Option Plan are as follows:

Canadian Dollar based options

Risk free interest rate:	4.24%
Expected life:	71 months
Expected volatility:	46.2%
Expected dividend yield:	0%

NOTES TO THE FINANCIAL STATEMENTS

During the year ended December 31, 2008, 100,000 stock options with an exercise price of C\$13.09 each, 50,000 stock options with an exercise price of C\$11.28 each and 25,000 stock options with an exercise price of C\$12.04 each, with a total fair value of \$0.59 million, \$0.26 million and \$0.14 million respectively were issued to non-executive directors pursuant to the terms of the Plan. During the year ended December 31, 2007, 75,000 stock options with an exercise price of C\$12.04 each and with a total fair value of \$0.34 million were issued to non-executive directors pursuant to the terms of the Plan.

During the year ended December 31, 2008, 331,157 stock options with an exercise price ranging from C\$9.05 to C\$12.43 each, with a total fair value of \$1.68 million, were issued to employees under the Plan and 129,334 employee stock options were exercised. 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 \$3.55 million were issued to employees under the Plan and 550,982 employee stock options were exercised.

The exercise price of options is based on the weighted average price at which the company's share are traded on the Toronto Stock Exchange during the five trading days immediately before the options are granted.

The stock option expense for the year ended December 31, 2008 amounted to \$2.6 million (year ended December 31, 2007 – \$2.5 million). As at December 31, 2008, the aggregate fair value of unvested stock options remaining to be charged to income amounted to \$2.5 million (December 31, 2007– \$3.1 million).

	December 31, 2008		December 31, 2007	
	No. of Shares	Weighted Average Exercise Price	No. of Shares	Weighted Average Exercise Price
Outstanding stock options				
Canadian Dollar based options ¹				
Outstanding at beginning of period	2,162,879	C\$7.59	1,526,334	C\$5.46
Granted under plan	506,157	C\$12.07	882,966	C\$10.67
Exercised	(129,334)	C\$5.50	(215,982)	C\$5.20
Expired and forfeited	(213,727)	C\$10.83	(30,439)	C\$6.93
Outstanding at the end of the period	2,325,975	C\$8.39	2,162,879	C\$7.59
Options vested and outstanding at the end of the period	939,015	C\$5.74	666,224	C\$4.76

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

The following table summarizes information about stock options outstanding at December 31, 2008:

Range of exercise prices	Options outstanding			Options exercisable		
	No. of stock options outstanding at December 31, 2008	Weighted average of remaining contractual life (months)	Weighted average exercise price	No. of stock options vested and outstanding at December 31, 2008	Weighted average of remaining contractual life (months)	Weighted average exercise price
C\$3.80	470,000	29	C\$3.80	386,667	29	C\$3.80
C\$4.25–C\$4.66	245,000	19	C\$4.28	245,000	19	C\$4.28
C\$7.06	249,334	39	C\$7.06	166,223	39	C\$7.06
C\$9.41	600,000	44	C\$9.41	-	-	-
C\$10.05–C\$10.54	200,000	56	C\$10.36	62,500	49	C\$10.54
C\$11.06–C\$11.84	80,000	47	C\$11.26	20,000	47	C\$11.23
C\$12.04–C\$12.43	280,765	54	C\$12.29	25,000	50	C\$12.04
C\$13.09	100,000	62	C\$13.09	-	-	-
C\$14.06	60,876	51	C\$14.06	20,292	51	C\$14.06
C\$17.04	40,000	53	C\$17.04	13,333	53	C\$17.04
Total	2,325,975	41	C\$8.39	939,015	31	C\$5.74

NOTES TO THE FINANCIAL STATEMENTS

21. Commitments

(a) Exploration Expenditure Commitments

In order to maintain the mining tenements in which the Group has interests, the Group is committed to meet prescribed conditions under which the tenements were granted. The Group's exploration expenditure commitment as at December 31, 2008 is nil (December 31, 2007 - \$0.07 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 as at December 31, 2008 were nil (December 31, 2007 - \$2.5 million).

(c) Mutoshi mine

The outstanding capital commitments of the Mutoshi mine contracted for as at December 31, 2008 were nil (December 31, 2007 - \$5.5 million). Under the Mutoshi acquisition agreement, SMK has an ongoing obligation to pay a mining royalty of 2% of net sales of copper to Gécamines. 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 as at December 31, 2008 were \$40.0 million (December 31, 2007 - \$26.7 million).

An additional entry premium)payment of \$15 million is to be made in connection with the amendment agreement reached with Gécamines on the Kinsevere Lease Agreement. Of this \$15 million, \$10 million is to be paid within six months of the amended agreement coming into effect and the balance within 12 months. In the event that Anvil arranges financing of \$125 million or more, the timing of payments will be revised such that \$10 million shall be paid within 14 days of the receipt of funds of such financing and \$5 million paid within six months of the date of payment of the \$10 million.

(e) Anvil Mining Services s.p.r.l. ("AMS")

The outstanding capital commitments of AMS contracted for as at December 31, 2008 were nil (December 31, 2007 - \$0.2 million).

(f) Corporate development, administration and other ("CDA")

The outstanding capital commitments of Anvil Mining Australia Pty Ltd. contracted for at December 31, 2008 were nil (December 31, 2007 - \$0.3 million)

(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 into 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, 2008 the amount to be repatriated was nil (December 31, 2007 - \$6.0 million). These funds, once repatriated, are available to the Group to meet obligations both within and outside the DRC.

22. Segment information

The Group'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.

Kinsevere

The Group holds a beneficial interest of 95% in the Kinsevere operation located in the Katanga province of the DRC. The Stage I HMS plant was commissioned in June 2007 and produces an oxide copper concentrate. The first EAF commenced operation during the third quarter of 2008. Stage II involves development of a 60,000 tonnes per annum SX-EW plant which will produce LME Grade A copper cathode.

Dikulushi

The Group holds a beneficial interest of 90% in the Dikulushi mine. The 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.

Mutoshi

The Group holds a beneficial interest of 80% in the Mutoshi tenements located in the Kolwezi region within the Katanga province of the DRC. The Mutoshi Stage I HMS operation was developed in 2005 and produces an oxide copper concentrate. The Group has previously referred to its Stage I HMS plant that processes material from the Kulumaziba river tailings deposit as the Kulu operation. This is now referred to as Mutoshi Stage I, being part of the broader Mutoshi project that includes other exploration tenements in the Mutoshi area.

NOTES TO THE FINANCIAL STATEMENTS

CDA

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

For the year ended December 31, 2008, segmented information is presented as follows. The inter-segment eliminations relate to inter-company interest charged on loan balances and the charging of corporate marketing, finance and agency fees within the Group.

	2008					
	Kinsevere	Dikulushi	Mutoshi	CDA	Inter-segment	Total
Concentrate sales	70,049	93,806	27,385	-	-	191,240
Operating expenses	(35,937)	(54,628)	(48,725)	(11,586)	-	(150,876)
Amortization	(24,213)	(14,157)	(3,955)	(1,075)	-	(43,400)
Segmented operating profit / (loss)	9,899	25,021	(25,295)	(12,661)	-	(3,036)
Interest and financing fees	(758)	(433)	(3,149)	(66)	3,027	(1,379)
Other income	38	(118)	134	23,819	(15,700)	8,173
Provision for impairment of assets	(29,642)	(38,226)	(5,381)	(29,893)		(103,142)
Exploration expenditure written off	(3,018)	(9,908)	(15,864)	(2,500)	-	(31,290)
Other expenses	(8,389)	(1,576)	(3,775)	(25,014)	12,673	(26,081)
Segmented (loss) before under noted items	(31,870)	(25,240)	(53,330)	(46,315)	-	(156,755)
Income taxes	8,766	(566)	6,647	(1,990)	-	12,857
Non-controlling interest	556	2,842	1,963		-	5,361
Segmented (loss)	(22,548)	(22,964)	(44,720)	(48,305)	-	(138,537)
Property, plant and equipment	257,004	4,209	11,353	7,768	-	280,334
Total assets	383,672	20,510	45,877	82,563	-	532,622
Capital expenditures	(160,190)	(19,593)	(4,797)	(1,576)	-	(186,156)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2007, segmented information is presented as follows

	2007					Total
	Kinsevere	Dikulushi	Mutoshi	CDA	Inter-segment	
Concentrate sales	38,619	193,250	31,380	-	(15)	263,234
Operating expenses	(13,080)	(46,204)	(21,978)	(4,538)	15	(85,785)
Amortization	(7,932)	(5,556)	(2,917)	(758)	-	(17,163)
Segmented operating profit / (loss)	17,607	141,490	6,485	(5,296)	-	160,286
Interest and financing fees	(706)	(121)	(2,254)	(1,415)	2,254	(2,242)
Other income	110	368	102	22,361	(11,089)	11,852
Provision for impairment of assets	-	-	-	(9,367)	-	(9,367)
Exploration expenditure written off	-	-	-	(4,389)	-	(4,389)
Other expenses	(4,596)	(3,283)	(2,898)	(15,288)	8,835	(17,230)
Segmented profit / (loss) before under noted items	12,415	138,454	1,435	(13,394)	-	138,910
Income taxes	(3,934)	(4,407)	9	(205)	-	(8,537)
Non-controlling interest	(544)	(12,486)	(179)	-	-	(13,209)
Segmented profit / (loss)	7,937	121,561	1,265	(13,599)	-	117,164
Property, plant and equipment	175,447	31,085	14,163	7,357	-	228,052
Total assets	229,246	95,767	71,642	292,000	-	688,655
Capital expenditures	(72,601)	(10,950)	(3,631)	(4,779)	-	(91,961)

The operations in DRC comprise the Dikulushi copper-silver mine, Mutoshi 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, Mutoshi and Kinsevere mines. The total assets located by geographic areas are as follows:

	December 31 2008 \$	December 31 2007 \$
Total assets – Geographical reporting		
Democratic Republic of Congo	454,412	402,409
Zambia	783	885
Philippines	3,424	3,720
Australia ¹	40,332	5,535
Canada ¹	33,671	276,106
	532,622	688,655

¹ These assets are physically held in the respective geographical regions and relate mainly to corporate and management activity.

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

NOTES TO THE FINANCIAL STATEMENTS

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:

	Year ended December 31	
	2008	2007
	\$	\$
Revenues – Geographical reporting		
Democratic Republic of Congo	191,240	263,234

23. (Loss) / Earnings per share

Basic (loss) / earnings per share	(1.95)	1.81
Diluted (loss) / earnings per share	(1.95)	1.77
Weighted average number of ordinary shares outstanding - basic earnings per share	71,244,578	64,715,747
Weighted average number of ordinary shares outstanding - diluted earnings per share	71,244,578	66,224,739

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

	Year ended December 31, 2008		
	Income \$	No. of Shares	\$ per share amount
Basic (loss) per share			
Income available to shareholders	(138,537)	71,244,578	(1.95)
Effect of dilutive securities:			
Options and warrants	-	-	-
Diluted (loss) / earnings per share			
Income available to shareholders and assumed conversions	(138,537)	71,244,578	(1.95)

	Year ended December 31, 2007		
	Income \$	No. of Shares	\$ 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

NOTES TO THE FINANCIAL STATEMENTS

	Year ended December 31	
	2008 \$	2007 \$
24. Supplementary cash flow information		
(a) Changes to non-cash working capital		
Accounts receivable	33,902	(36,638)
Inventories	(20,632)	(14,202)
Prepaid expenses and deposits	(368)	(3,162)
Accounts payable and accrued liabilities	(703)	8,180
Income taxes	(4,653)	2,271
Other liabilities	1,163	619
	8,709	(42,932)
(b) Other information		
Interest and financing fees paid	(67)	(821)
Interest received	8,288	11,934
Income tax paid	(6,238)	(4,765)

25. Subsequent events*(i) DRC Government Review of Mining Agreements*

In January 2009, the Group announced that it had reached agreement with Gécamines and the DRC Government on the terms of its Kinsevere "*Contrat d'Amodiation*" (Lease Agreement) and the Dikulushi Mining Convention. The Group and Gécamines have signed an amendment agreement for the Kinsevere Lease Agreement and the Group has been formally notified by Gécamines and the DRC Government that the Dikulushi Mining Convention remains unchanged.

The major amendments to the Kinsevere Lease Agreement relate to a change to rent payments whereby rent payments are now based on 2.5% of gross turnover, compared to the previous approach whereby rent was paid to Gécamines on a sliding scale, from a floor price of \$35 per tonne of copper at a LME copper price of \$2,200 per tonne (or \$1.00/lb copper) to a ceiling price of \$70 per tonne of copper at an LME copper price of \$4,000 per tonne (or \$1.80/lb copper) on each tonne of commercially viable copper metal extracted at Kinsevere.

In addition, please refer note 21(d) for commitments relating to payment of an entry premium for Kinsevere.

Based on the commercial terms agreed with Gécamines and the DRC Government in October 2008, the Group is confident that a satisfactory amended Mutoshi Joint Venture Agreement can be reached with its joint venture partner Gécamines.

26. Deed of cross guarantee

Information in relation to the Deed of cross guarantee is presented for the purposes of the Group'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").

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

NOTES TO THE FINANCIAL STATEMENTS

Set out below are the condensed statements of earnings and balance sheets for the year ended December 31, 2008 and December 31, 2007 of the Closed Group and the Extended Closed Group:

Condensed Statement of Earnings	Closed Group		Extended Closed Group ⁽¹⁾	
	Year Ended December 31 2008 \$	Year Ended December 31 2007 \$	Year Ended December 31 2008 \$	Year Ended December 31 2007 \$
Copper-silver concentrate sales	-	-	191,240	263,234
Cost of operations	-	-	(150,876)	(85,785)
Amortization	-	-	(43,400)	(17,163)
Operating profit	-	-	(3,036)	160,286
Other income / (expenses) ⁽²⁾	(4,288)	128,248	8,173	11,852
Share of loss in associates	(891)	-	(891)	-
General, administrative and marketing	(7,482)	(5,664)	(22,748)	(14,841)
Exploration expenditure written off	(1,155)	(1,063)	(31,290)	(4,389)
Foreign exchange gains	1,450	1,666	140	95
Provision for impairment of assets	(29,893)	(9,367)	(103,142)	(9,367)
Stock based compensation	(2,582)	(2,484)	(2,582)	(2,484)
Interest and financing fees	(3)	(5)	(1,379)	(2,242)
(Loss) / Earnings before income tax and non controlling interests	(44,844)	111,331	(156,755)	138,910
Income tax (expense) / recovery	(1,734)	283	12,857	(8,537)
Non-controlling interest share of loss / (gain)	-	-	5,361	(13,209)
Net (loss) / income	(46,578)	111,614	(138,537)	117,164
Retained earnings / (deficit) at beginning of the year	104,416	(6,844)	209,524	92,714
Adjustment to opening retained earnings	-	(190)	-	(190)
Share of loss in associates	-	(164)	-	(164)
Dividends declared ⁽²⁾	(135,257)	-	-	-
Retained (deficit) / earnings at end of the year	(77,419)	104,416	70,987	209,524

NOTES TO THE FINANCIAL STATEMENTS

Condensed balance sheets	Closed Group		Extended Closed Group ⁽¹⁾	
	December 31 2008	December 31 2007	December 31 2008	December 31 2007
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	2,252	196,824	45,033	215,754
Restricted cash	481	-	871	322
Accounts receivable	87	3,886	24,243	65,761
Inventories		-	31,064	32,221
Available-for-sale investments	24,032	63,800	24,032	63,800
Prepaid expenses and deposits	69	2,245	51,258	21,449
	26,921	266,755	176,501	399,307
Receivables from subsidiaries ⁽³⁾	277,738	216,578	-	-
Equity accounted investment	1,320	5,766	1,320	5,766
Long-term receivable	-	-	12,464	3,966
Long-term inventory	-	-	10,651	-
Exploration and acquisition expenditure	2,264	255	51,352	49,680
Property, plant and equipment	151	26	280,334	228,052
Future income tax asset	-	1,581	-	1,884
	308,394	490,961	532,622	688,655
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	1,796	2,914	34,731	25,044
Income taxes payable	-	1,091	463	5,116
Other liabilities	39	-	2,460	1,296
Current portion of long-term debt	-	-	362	-
	1,835	4,005	38,016	31,456
Long-term debt	-	-	321	-
Asset retirement obligations	-	-	12,980	11,668
Future income tax liability	-	-	24,431	39,587
	1,835	4,005	75,748	82,711
Non-controlling interest	-	-	1,909	13,880
Shareholders' equity				
Equity accounts	383,978	382,540	383,978	382,540
Retained (deficit) / earnings	(77,419)	104,416	70,987	209,524
Total shareholders' equity	306,559	486,956	454,965	592,064
	308,394	490,961	532,622	688,655

(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 / (expenses) of the Closed Group includes inter-company charges between the Closed Group and entities outside the Closed Group amounting to \$(1.5) million for the year ended December 31, 2008 (year ended 31 December 2007: -\$0.7 million) and dividends paid to entities outside the Closed Group amounting to \$135.3 million.

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