Anvil Mining Limited

Consolidated Financial Statements

As at and for the year ended December 31, 2009

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 include the accounts of Anvil, consolidated with the accounts of all of its subsidiaries as at the financial statement date, prepared by management in conformity with generally accepted accounting principles of Canada and where appropriate, reflect managements' best estimates and judgments based on currently available information. Management acknowledges its responsibility for the preparation and fair presentation of the consolidated financial statements, including significant accounting judgments, 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 developed and maintains adequate internal controls over financial reporting, designed to provide reasonable assurance that relevant and reliable information is produced on a reasonable and cost effective basis.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The 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.

The consolidated financial statements have been audited by PricewaterhouseCoopers, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

(Signed) William S. Turner

President and Chief Executive Officer

(Signed) Craig R. Munro

Senior Vice President Corporate and Chief Financial Officer

March 18, 2010

Auditors' Report to the Shareholders of Anvil Mining Limited

We have audited the consolidated balance sheets of Anvil Mining Limited ("the Company") as at December 31, 2009 and 2008 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, 2009 and 2008 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 18, 2010

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

Consolidated Balance Sheets

	Notes	December 31 2009 $	December 31 2008 $
ASSETS			
Current assets			
Cash and cash equivalents	11	120,753	45,033
Accounts receivable	13	17,967	24,243
Inventories	14	14,220	31,064
Available-for-sale (“AFS”) investments	15	1,243	24,032
Prepaid expenses and deposits	16	25,899	51,258
Current assets classified as held for sale	7	2,114	-
		182,196	**175,630**
Non-current assets			
Restricted cash	12	887	871
Equity accounted investment	17	-	1,320
Available-for-sale (“AFS”) investments	15	16,827	-
Deferred financing fees	9	2,865	-
Long-term inventory	14	11,163	10,651
Long-term receivable	18	15,468	12,464
Exploration and acquisition expenditure	19	62,384	51,352
Property, plant and equipment	20	324,562	280,334
Non-current assets classified as held for sale	7	5,156	-
		439,312	**356,992**
Total assets		**621,508**	**532,622**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	21	12,037	34,731
Derivative financial instrument	6	586	-
Income taxes payable		6	463
Provisions		1,712	2,460
Current portion of long-term debt		290	362
Current portion of liabilities directly associated with non-current assets classified as held for sale	7	1,764	-
		16,395	**38,016**
Non-current liabilities			
Future income tax liability	8	21,048	24,431
Other non-current liability	10	6,711	-
Long-term debt		74	321
Asset retirement obligations	22	12,858	12,980
Non-current portion of liabilities directly associated with non-current assets classified as held for sale	7	983	-
		41,674	**37,732**
Total liabilities		**58,069**	**75,748**
Non-controlling interest	23	260	1,909
		58,329	**77,657**

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

Consolidated Balance Sheets

	Notes	December 31 2009 $	December 31 2008 $
Shareholders' equity			
Equity accounts	24	510,347	383,419
Retained earnings		50,067	70,987
Accumulated other comprehensive income		2,765	559
Total shareholders' equity		**563,179**	**454,965**
		621,508	**532,622**
Nature of operations	1		
Commitments	25		
Subsequent events	29		

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 2009 $	2008 $
Revenue from continuing operations		49,235	191,240
Operating expenses		(39,779)	(150,876)
Amortization		(16,480)	(43,400)
		(7,024)	(3,036)
Other income	5	1,322	8,173
Share of loss in associates	17	-	(891)
Provision for impairment of assets	5	(2,876)	(103,142)
Write back of provision for impairment of assets	5	4,052	-
Loss on derivative instrument	6	(586)	-
General, administrative and marketing		(10,067)	(22,748)
Exploration expenditure written off	5	(3,225)	(31,290)
Foreign exchange gains		461	140
Stock based compensation	24	(1,891)	(2,582)
Interest and financing fees	5	(1,140)	(1,379)
Loss before income tax and non-controlling interest		(20,974)	(156,755)
Income tax benefit		3,299	12,857
Non-controlling interest share of loss		-	5,361
Net loss from continuing operations		**(17,675)**	**(138,537)**
Loss from discontinued operation before non-controlling interest share of loss		(3,651)	-
Non-controlling interest share of loss		406	-
Net loss		**(20,920)**	**(138,537)**
Other comprehensive income, net of taxes			
Net unrealized gains on available-for-sale investments		2,206	127
Total comprehensive loss		**(18,714)**	**(138,410)**
Loss per share from continuing operations:			
Basic & Diluted loss per share ($)	27	(0.18)	(1.95)
Loss per share:			
Basic & Diluted loss per share ($)	27	(0.22)	(1.95)

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

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

Consolidated Statements Of Changes In Shareholders' Equity

	December 31, 2009		December 31, 2008	
	Number	Amount $	Number	Amount $
Common shares				
Balance at beginning of period	71,244,578	376,350	71,115,244	377,350
Exercise of stock options	-	-	129,334	982
Share issue	79,108,581	113,353	-	-
Share issue expenses		(4,981)		-
Shares purchased under Executive and Senior Staff Incentive Plan ("ESSIP")	-	-	-	(1,982)
Balance at end of period	**150,353,159**	**484,722**	**71,244,578**	**376,350**
Contributed surplus				
Balance at beginning of period		7,069		4,758
Employee stock based compensation recognized		1,891		2,582
Transfer to common shares		-		(271)
Balance at end of period		**8,960**		**7,069**
Warrants				
Balance at beginning of period		-		-
Fair value of warrants issued		16,665		-
Balance at end of period		**16,665**		**-**
Equity accounts		**510,347**		**383,419**
Retained earnings				
Balance at beginning of period		70,987		209,524
Net (loss) / income for the period		(20,920)		(138,537)
Balance at end of period		**50,067**		**70,987**
Accumulated other comprehensive income				
Balance at beginning of period		559		432
Net unrealized gains / (losses) on available-for-sale investments		2,206		(5,727)
Losses on available-for-sale investments recognized in income statement as impairment		-		5,854
Balance at end of period		**2,765**		**559**
Shareholders' equity at end of period		**563,179**		**454,965**

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 Cash Flows

	Notes	Year Ended December 31 2009 $	2008 $
Cash flows from operating activities			
Net (loss) / income for the period		(17,675)	(138,537)
Items not affecting cash:			
- Amortization		16,480	43,400
- Provision for impairment of assets	5	2,876	103,142
- Write back of provision for impairment of assets	5	(4,052)	-
- Loss on derivative instrument	6	586	-
- Non-cash finance costs		983	1,312
- Provision for doubtful debts		-	7,775
- Exploration expenditure written off		3,225	31,290
- Share of loss in associates		-	891
- (Gain) / Loss on sale of assets		(207)	278
- Non-controlling interest share of income / (loss)		-	(5,361)
- Unrealized foreign exchange gains/(losses)		113	298
- Future income tax		(3,382)	(13,271)
- Stock based compensation		1,891	2,582
Changes in non-cash working capital	28	4,468	8,709
		5,306	**42,508**
Cash flows from investing activities			
Payments for property, plant and equipment	20	(49,313)	(186,156)
Proceeds from sale of assets		869	475
Payments for exploration expenditure	19	(9,967)	(33,271)
Proceeds of principal repayments from investments		12,790	13,399
		(45,621)	**(205,553)**
Cash flows from financing activities			
Proceeds from issue of shares & warrants (net of issue expenses)		124,317	711
Deferred borrowing costs	8	(2,865)	-
Movement in restricted cash		(267)	(550)
Proceeds from borrowings (net of fees incurred)		-	800
Shares purchased under ESSIP		-	(1,982)
Repayments of borrowings		(319)	(117)
Disbursements on behalf of Dikulushi Trusts		-	(6,610)
		120,866	**(7,748)**
Cash flows from discontinued operations			
Cash flows from operating activities		(3,140)	-
Cash flows from investing activities		65	-
Cash flows from financing activities		(1,417)	-
Net increase / (decrease) in cash and cash equivalents from discontinued operations		**(4,492)**	**-**
Net increase / (decrease) in cash and cash equivalents		**76,059**	**(170,793)**

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

	Notes	Year Ended December 31 2009 $	2008 $
Cash and cash equivalents at beginning of the period		45,033	215,754
Effects of exchange rate changes on cash held in foreign currencies		142	72
Total cash and cash equivalents at end of the period		**121,234**	**45,033**
Less cash and cash equivalents at the end of the period relating to discontinued operations (note 7)		**(481)**	**-**
Cash and cash equivalents at the end of the period for continuing operations		**120,753**	**45,033**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of Operations

Anvil Mining Limited ("Anvil" or the "Company") and its subsidiaries (together referred to as "Group" or "Anvil") operate in one operating segment, namely the acquisition, exploration, development and mining of mineral properties. The Company's principal assets are a 95% interest in the Kinsevere-Nambulwa copper project ("Kinsevere"), a 70% interest in the Kulu copper mine (the "Mutoshi mine"), a 90% interest in the Dikulushi copper-silver mine (the "Dikulushi mine"), 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 and Zambia.

2. Summary of significant accounting policies

a) Basis of Preparation and Presentation

The consolidated financial statements have been prepared and presented under the generally accepted accounting principles ("GAAP") of Canada.

b) Basis of Consolidation

The financial statements of the Group include the consolidation of Anvil Mining Limited ("Anvil" or the "Company") and all of its subsidiaries. The subsidiaries include those entities that are controlled by the parent entity (being Anvil Mining Limited). Control exists if Anvil has the power and ability to govern the financial and operational policies of the respective entities so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences until the date control ceases. Where the Group has less than 100% interest in a subsidiary, the interest attributable to outside shareholders is reflected in non-controlling interests (minority interests). The effects of all transactions between entities in the consolidated group are eliminated in full.

c) Use of estimates

The preparation of financial 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 mineral reserves

The use of management estimates and assumptions relating to mineral reserves are the base inputs for future cash flow estimates utilized in impairment calculations and units-of-productions amortization calculations; estimates of recoverable copper in stockpile; environmental, reclamation and closure obligations.

(ii) 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 recognized in accordance with the policy as described in note 2(s).

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.

(iii) 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 from estimates which could result in a change to future amortization 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.

(iv) 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

NOTES TO THE FINANCIAL STATEMENTS

individual counterparties, default rates and other market based factors. Where quoted market prices in active markets are available, these are used.

d) Foreign currency translations

The Group's reporting currency and the functional currency at the respective regional locations of the majority of its operations at the Dikulushi, Kinsevere and Mutoshi mines as well as in Anvil's other principal business locations is the United States Dollar ("US$" or "US Dollar"). The functional currency is the principal currency that influences sales prices denominated and settled; labour, material and other costs and the one which most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions denominated in foreign currencies (currencies other than the functional currency) are translated into the functional currency, by applying to the foreign currency amount the spot exchange rate between the foreign currency and the functional currency at the date of the underlying 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 recognized in the income statement, except when deferred in equity and categorised as 'other comprehensive income' (for all non-monetary items where a gain or loss is recognized in other comprehensive income).

At the end of each period, foreign currency monetary assets and liabilities are translated using the year-end closing foreign currency exchange rate and the gains and losses are included in the income statement. All other non-monetary assets and liabilities are translated at applicable historical exchange rates (foreign currency exchange rate at the date of the transaction). Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized as income or expense.

e) Revenue recognition & measurement

Revenue from sales of copper-silver concentrate is recorded net of smelter treatment charges and deductions. Copper concentrate is sold under pricing arrangements whereby revenue is recognized at the time of shipment (delivery of the products at the mine gate), at which time legal title and risk pass to the customer and provisional revenue is recorded at current month average price. The quoted period established for each sale contract is a month subsequent to the month of delivery, within which the contract is required to be settled. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in copper market prices and the final independent analysis of the concentrate copper content 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 and receivables.

f) Cash and cash equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments with maturity of three months or less from the date of original issue. Overdrafts are recorded separately within accounts payable and accrued liabilities. Where restrictions over the ability to access cash and cash equivalents exist, the amounts are recorded in Restricted Cash and are presented as non-current assets.

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, other than price adjustments recorded in accordance with note (e) above. They are included in current assets. 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 recognized in the income statement within operating expenses. When a trade receivable for which a doubtful debts provision had been recognized 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 by estimating the number of tonnes added and removed from the stockpile, the number of contained pounds of copper (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method) and valued at the lower of cost and net realizable value ("NRV"). Ore stockpile that will not be processed within 12 months after the balance sheet date is classified as non-current asset under the category 'long-term inventory'.

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 the lower of cost and NRV.

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.

NOTES TO THE FINANCIAL STATEMENTS

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, on its drawdown. Where it is expected a portion of the debt will not be drawn down, the related fees, representing fees paid for liquidity services are amortized over the term of the loan.

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 betterrment 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 capitalized in the balance sheet under Mine Properties and 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

Mining Properties

Mine properties comprise the accumulation of all exploration, evaluation, acquisition and development expenditure, incurred by or on behalf of the Company, 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 Mine Property costs is provided on the unit-of-production method with separate calculations being made for each mineral resource. Mineral resources are proved and probable reserves. Changes in the commercial reserves affecting unit-of-production calculations are dealt with prospectively over the revised remaining reserves.

The net carrying value of each mine property is reviewed whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The carrying amount is compared to undiscounted cash flows. Where the carrying amount exceeds these cash-flows, the carrying values are written down to fair value.

Other 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.

NOTES TO THE FINANCIAL STATEMENTS

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. The carrying amount is compared to undiscounted cash flows. Where the carrying amount exceeds these cash-flows, the carrying values are written down to fair value.

Construction in progress is accumulated and carried forward at cost until the construction is complete. On completion the asset is transferred to the appropriate category of property, plant and equipment and is amortized over its expected useful life. Costs associated with the commissioning of an asset are capitalized until the commissioning has been completed.

m) Asset retirement obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. The Group records this obligation 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.

n) 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. Future tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. 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.

o) 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 and warrants were exercised and the proceeds used to repurchase common shares at a weighted average market price.

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period.

p) 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 and directors when they exercise the option is credited to share capital including the amount of contributed surplus for the respective options exercised.

q) Investments

(i) Available-for-sale investments

Investment in marketable securities are classified as available-for-sale and recorded at fair value. Investment transactions are recognized 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, or when it relates to the reversal of an available-for-sale investment. 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 available-for-sale equity financial instruments classified as available for sale are not reversed. Impairment losses in available-for-sale debt financial instruments are reversed in the income statement, where the events or circumstances leading to the impairment subsequently reverse.

NOTES TO THE FINANCIAL STATEMENTS

(i) 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 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 recognized 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 recognize the loss.

r) 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 payables are initially recognized at fair value and subsequently measured at amortized cost.

s) 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 value of 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.

t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognized under the category 'provisions' in respect of employee services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognized under the category, 'provisions'. It is measured as the present value of expected future cash payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service.

(iii) Share-based payments

Share-based remuneration benefits are provided to employees via the Anvil Mining 2008 Share Incentive Plan. Information relating to this scheme is set out in note 23 (b). The fair value of options are determined by management using the Black-Scholes pricing model and are recognized as employee benefit expense with a corresponding increase in equity.

(iv) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognized as an expense in profit and loss as they are incurred.

u) Derivative activities

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently measured to their fair value at each reporting date. The resulting gain or loss is recognized in the income statement immediately unless the derivative is designated and effected as a hedge instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship. For the purpose of this report, all derivative financial instruments do not qualify for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

v) Significant accounting changes

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The Company has evaluated the new section and determined that adoption of these new requirements will have no material impact on the Company's financial statements.

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Financial Instruments sections 3855, 3861 and 3862 permitting reclassification of a financial asset or liability out of the held-for-trading or available-for-sale category to other financial instruments categories in specified circumstances effective on or after July 1, 2008. The adoption of these amendments had no impact on the financial results of the Company.

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This Abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations, when testing for impairment of mineral exploration properties in the period and no impairment adjustments were required.
In June 2009, the CICA amended the financial instruments – Disclosures section 3862 to require enhanced disclosure about the fair value assessments of the financial instruments. The new disclosures are based on a fair value hierarchy that categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate the fair values. The amendments apply to annual financial statements for fiscal years ending after September 30, 2009. The Company has adopted these disclosures effective in the December 31, 2009 annual financial statements (note 3(a)).

In August 2009, the CICA amended Financial Instruments section 3855 to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on or after July 1, 2009. This Section has also been amended to change the categories into which a debt instrument is required or permitted to be classified, change the impairment model for held-to- maturity financial assets, and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. The Impaired Loans section 3025 was also amended to conform the definition of a loan to that in amended Section 3855 and to include held-to-maturity investments within the scope of the Impaired Loans section. The adoption of these amendments had no impact on the financial results of the Company.

w) New Accounting changes

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, "Business Combinations", which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests

Also in October 2008, the CICA issued Handbook Section 1602, "Non-controlling Interests", to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January 2011.

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

NOTES TO THE FINANCIAL STATEMENTS

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 derivative financial instruments such as 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 in respect of investment portfolios to determine market risk.

The Group holds the following financial instruments as at December 31, 2009:

Financial assets	**December 31 2009 $**	**December 31 2008 $**
Cash and cash equivalents	120,753	45,033
Restricted cash	887	871
Accounts receivable	17,967	24,243
Available-for-sale investments: Current	1,243	24,032
Available-for-sale investments: Non-current	16,827	-
Long-term receivable	15,468	12,464
	173,145	**106,643**
Financial liabilities		
Accounts payable and accrued liabilities	12,037	34,731
Derivative Financial Instrument	586	-
Long-term borrowings	364	683
Other non-current liability	6,711	-
	19,698	**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 against Australian dollar, South African Rand, Canadian Dollar, Congolese Franc and to lesser extent against Philippine Peso and Zambian Kwacha. Anvil is exposed to the currency risk on cash and cash equivalents (including restricted cash), accounts payables and accrued liabilities, and some available-for-sale investments.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a foreign currency. The risk is measured on the basis of a sensitivity analysis and forecasting cash flows. The Group reviews its foreign currency needs and may take appropriate financial derivatives as required to mitigate the risks. Anvil has not entered into any forward exchange contracts as at December 31, 2009 and is currently fully exposed to foreign exchange risk in relation to the financial instruments stated above.

As at December 31, 2009, 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 $0.1 million on net income and equity for the period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as performed in 2008.

(ii) Commodity Price Risk

The Group is subject to price risk from fluctuations in market price of commodities. From time to time, the Group may hedge its commodity price risk by using derivatives like 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 instrument primarily relates to changes in fair value caused by settlement adjustments to receivables. As at December 31, 2009, the Group fixed the final price of all the provisional copper-concentrate sale contracts at $7,320 per tonne. As a result of the price-fixing, the Group is not exposed to commodity price risk on those receivables at year ended December 31, 2009 (2008: the effect on net income after-tax of a 10% change to metal price on receivables balance was $0.6 million). For details on commodity price risk relating to using derivatives, refer to Note 6.

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

NOTES TO THE FINANCIAL STATEMENTS

(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 as at December 31, 2009.

AFS Assets Asset Group	Face Value	Fair Value	Rating		% of Total Portfolio Investment
Asset backed securities	31,487	14,813	AAA AA AA- A+ BBB+	4,846 1,872 2,758 3,888 1,448	81.97
Equity backed securities	874	3,257			18.03
Total	**32,361**	**18,070**			**100.00**

The table below summarises the diversified portfolio of available-for-sale investments by credit exposure as at December 31, 2008.

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

Asset Backed Securities:
The maturity dates of the asset backed securities investments range from one year to five years. The Group has \$1.5 million of an asset backed security maturing within 6 months (fair value of the investment being \$1.2 million at the balance sheet date), the balance of this category of investments (over 90 per cent) have expected maturity dates between 2013 and 2014.

Equity backed securities:

The Equity Accounted Investment of \$1,320 in the previous financial year, representing Anvil's investment in Sub-Sahara Resources NL ("SBS), was classified as an available-for-sale investment in January 2009 as a result of Anvil ceasing to have significant influence over the affairs of the company. On August 14, 2009 SBS announced a merger between Chalice Gold Mining Limited ("Chalice") and SBS. In accordance with the approved scheme of arrangement between SBS and its shareholders, SBS shareholders received one share in Chalice for every 10.73 shares held. As a result of this agreement, Anvil received 8,387,698 ordinary shares representing a 6.9% ownership interest in Chalice.

Effective January 1, 2009, Anvil adopted the amendment to CICA Handbook Section 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
c) Level 3: inputs for the asset or liability that are not based on observable market data.

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

NOTES TO THE FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total balance
Assets:				
Available-for-sale financial assets				
Equity securities	3,257	-	-	3,257
Debt investments	-	14,813	-	14,813
Total AFS assets	3,257	14,813	-	18,070
Liabilities:				
Derivative financial instrument	-	586	-	586
Total Liabilities	-	586	-	586

(iv) Interest Rate Risk

The Group's main interest rate risk arises from available-for-sale investments and short-term deposits. The Asset Backed Security category of the available-for-sale 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 investments it makes and is satisfied with the credit rating of its banks.

As at December 31, 2009, 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 $1.2 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 of BBB+ or above. 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'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 11(a), 13(d), and 15(a) with respect to cash, receivables, and securities in the available-for-sale investment portfolio respectively.

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, 2009 and 2008 is the carrying value of its trade receivables.

Concentrate produced at the Group's operating Kinsevere mine is 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 after 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, 2009 and 2008, the Group derives approximately 90% of its revenues from one major customer.

(c) Liquidity Risk

As at December 31, 2009 the Company had $120.8 million in cash, $18.1 million in available-for-sale investments, $17.9 million in trade receivables, and practically 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.

In December 2009 the Company completed the second tranche of a private placement to Trafigura Beheer B.V. ("Trafigura"). The aggregate proceeds received by Anvil from both tranches of private placements to Trafigura of US$100 million have been placed into term deposits with highly reputable financial institutions providing average interest of 0.60% per annum and maturity tenures of 1 month or less. The proceeds of the Private Placement are being used to recommence construction of the Kinsevere Stage II SX-EW project in Katanga Province in the DRC and for general working capital purposes.

In addition to the Private Placement, Trafigura has made available to the Company a loan facility with a total commitment of US$100 million, which will be available for drawdown only after funds from the Private Placement have been utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

(d) Maturities of Financial Liabilities

The table below analyses 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.

Financial liabilities at year ended December 31, 2009.

	Accounts Payable & Accruals[1]	Bank Loans	Derivative financial instrument[3]	Other non-current[2]	Total
Within one year	12,037	312	586	-	26,674
In one to two years	-	75	-	7,198	7,273
In two to three years	-	-	-	-	-
	12,037	387	586	7,198	33,947
Effect of discount rates	-	(23)	-	(487)	(510)
Off balance sheet item	-	-	-	-	(13,739)
Balance sheet carrying value	12,037	364	586	6,711	19,698

1. The Accounts payable balance includes a *Pas de Porte* (entry premium) payable amount of $5 million to be paid in January 2010 to La Gênêrale des Carriêres et des Mines ("Gêcamines"). This is in relation to Kinsevere.
2. The Other non-current balance includes a *Pas de Porte* (entry premium) payable to Gécamines in January 2011. This is in relation to Mutoshi.
3. The Group entered into derivative financial instrument to manage its exposure to copper price risk. Further details are disclosed in Note 6.

Financial liabilities at year ended December 31, 2008.

	Accounts Payable & Accruals	Bank Loans	Entry Premium[1]	Total
Within one year	34,731	442	10,000	85,145
In one to two years	-	312	5,000	5,312
In two to three years	-	52	-	52
	34,731	806	15,000	90,509
Effect of discount rates	-	(123)	-	(123)
Off balance sheet item	-	-	(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 relates to the amendment agreement reached with Gêcamines on the Kinsevere Lease Agreement.

(e) Fair Value Estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale investments) are 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.

The fair value of financial instruments that are not traded in an active market are 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 debt investments are valued using the above mentioned techniques. The fair value of forward exchange contracts are determined using forward exchange market rates at the reporting date.

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

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

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Risk Management

Effective May 1, 2008, the Company adopted CICA Handbook Section 1535, "Capital Disclosures", which 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:

a) Have sufficient capital to develop and maximise returns from the Group's mineral properties;

b) Safeguard the Group's ability to construct and commission the SX-EW plant;

c) Continue to provide returns for shareholders; and

d) Safeguard the Group's ability to continue as a going concern.

The Group considers the items included in the shareholders' equity to be capital. To effectively manage the Group's capital requirements, the Group's management has in place a planning, budgeting and forecasting process.

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 issue new shares, or sell assets to reduce debt.

	Year Ended December 31	
	2009	**2008**
	$	**$**
5. Other income		
Interest received	1,115	8,287
Other Income/ (Expenses)	207	(114)
	1,322	8,173
Interest and financing fees		
Interest	157	67
Interest / Accretion of asset retirement obligation	983	1,312
	1,140	1,379
Provision for impairment		
Relating to available-for sale-investments	-	26,338
Relating to equity accounted investments	445	3,555
Relating to long lived assets	315	62,111
Relating to inventory	2,116	11,138
	2,876	103,142
Reversal of impairment of AFS debt investments	(4,052)	-
	(4,052)	-

NOTES TO THE FINANCIAL STATEMENTS

Long-lived assets including deferred mining costs, exploration, evaluation and development expenditure, property plant and equipment and mine properties are initially recognized 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 year ended December 31, 2009, the Company undertook a review of long-lived assets for Mutoshi only, as a result of obligations from the mining review and Mutoshi continuing to be on care and maintenance. 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.

Available-for-sale debt investments with a fair value of $14.8 million at December 31, 2009 reflects an increase of $4.1 million as a result of a write back of provision for impairment. This reversal is recognized in the income statement in accordance with amendment to CICA Handbook Section 3855 during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes the impairment charges relating to long lived assets and inventory, and exploration and acquisition expenditure written off for the years ended December 31, 2009 and 2008:

	Year Ended December 31	
	2009	2008
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)	315	26,626
Mutoshi (HMS plant)	-	654
Dikulushi (flotation circuit, mobile equipment) [3]	-	11,458
Land & Buildings		
Dikulushi (Camp & Buildings)	-	811
Total Long lived asset impairment	315	62,111
Provision for impairment relating to inventory (stores and consumables)		
Kinsevere (EAF, HMS & Spirals Plant)	2,116	3,017
Mutoshi (HMS Plant)	-	330
Dikulushi (Underground & Process Plant spares) [3]	-	7,791
	2,116	11,138
Exploration and acquisition expenditure written off		
Exploration Expenditure [1]		
Dikulushi mine and regional projects [3]	-	(9,908)
Mutoshi projects	-	(3,985)
Kinsevere-Nambulwa projects	-	(1,561)
Philippines regional exploration projects	(3,225)	(2,500)
	(3,225)	(17,954)
Acquisition expenditure [2]		
Mutoshi projects	-	(11,879)
Kinsevere-Nambulwa projects	-	(1,457)
	-	(13,336)
Total Exploration Expenditure written off		
Dikulushi mine and regional projects [3]	-	(9,908)
Mutoshi projects	-	(15,864)
Kinsevere-Nambulwa projects	-	(3,018)
Philippines regional exploration projects	(3,225)	(2,500)
	(3,225)	(31,290)

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.

3 Dikulushi has been classified as a discontinued operation held for sale at year end. Impairment in relation to Dikulushi (flotation circuit, mobile equipment) during the year was $0.4 million (2008: $11.5 million). No further impairment was recognized for Dikulushi.

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

NOTES TO THE FINANCIAL STATEMENTS

6. Derivative financial instruments

	December 31, 2009 $
Forward metal price contracts – held for trading	586
	586

The Group entered into a forward contract during October 2009, with its off-take partner Trafigura Beheer B.V. ("Trafigura"), to hedge some of its anticipated copper production for the first half of 2010 (being 250 tonnes per month for six consecutive months starting February 2010 till July 2010).

Under the terms of the transaction, the Company locked in:

> a floor price of $2.50 per pound ($5,500 per tonne – put strike); and

> a cap price of $3.53 per pound ($7,775 per tonne – call strike)

Under this agreement the Company will receive the market price where the copper price is between $2.50 per pound and $3.53 per pound.

At December 31, 2009, the Group would have incurred a loss of $0.6 million, if it had to settle this contract.

7. Discontinued operations classified as 'held for sale'.

At year end, the Dikulushi mine was classified as a discontinued operation, held for sale, as the Company expects to divest its interest in the Dikulushi mine by the end of the first quarter of 2010. The post-tax loss of this discontinued operation for the year ended December 31, 2009 was $3.2 million.

The financial performance, balance sheet, and cash flow information presented are for the twelve months ended December 31, 2009.

The carrying amounts of assets and liabilities as at year end were:

	December 31, 2009 $
ASSETS	
Current assets	
Cash and cash equivalents	481
Accounts receivable	1,132
Prepaid expenses and deposits	501
	2,114
Non-current assets	
Restricted cash	424
Exploration and acquisition expenditure	2,299
Property, plant and equipment	2,433
	5,156
Total assets	**7,270**
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	726
Loans payable	1,034
Other liabilities	2
Current portion of long-term debt	2
	1,764

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

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2009 $
Non-current liabilities	
Asset retirement obligations	983
	983
Total liabilities	**2,747**

The financial performance for the year was:

Concentrate sales	1,813
Operating expenses	(4,844)
Amortization	(859)
	(3,890)
Other income	101
Provision for impairment of assets	(358)
Foreign exchange gains	86
Loss before income tax and non-controlling interest	(4,061)
Income tax recovery	410
Net loss from discontinued operations	**(3,651)**

Loss per share from discontinued operations:	
Basic loss per share ($)	(0.04)
Diluted loss per share ($)	(0.04)

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

NOTES TO THE FINANCIAL STATEMENTS

8. 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:

	Year Ended December 31 2009 $	Year Ended December 31 2008 $
Loss before income tax and non-controlling interest	(20,974)	(156,755)
Income tax benefit at Canadian statutory rates – 30.9% (2008:30.9%)	(6,481)	(48,437)
Difference in tax rates	189	4,944
Non-deductible expenses	889	2,696
Tax losses not recognized	2,967	10,574
Adjustment in respect of current income tax of previous year	-	1,683
Reversal of provision for impairment not assessable for tax	(863)	-
Provision for impairment not deductible for tax	-	15,683
Taxation (recovery) / expense	(3,299)	(12,857)
Comprising:		
- Current income taxes	84	415
- Future income taxes	(3,383)	(13,272)

(b) Future Income Tax

	Year Ended December 31 2009 $	Year Ended December 31 2008 $
Future Income tax liabilities		
Exploration expenditure	30,594	31,031
Mining property	6,883	5,227
Other	49	164
	37,526	36,422
Future tax assets	(16,478)	(11,991)
Net future tax liability	21,048	24,431
Future income tax assets		
Non-capital loss carry forwards	33,460	22,957
Inventory	615	2,131
Property, Plant & Equipment	-	4,354
Other	-	271
	34,075	29,713
Less: Valuation allowance	(17,597)	(17,722)
Less: Deducted from future tax liabilities	(16,478)	(11,991)
Net future tax asset	-	-

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

(i) Canada - $10.7 million (2008- $10.1 million) expiring between 2025 and 2029
(ii) Australia - $4.4 million (2008- $5.0 million) – indefinite
(iii) DRC - $ 93.7 million (2008- $50.1 million) – indefinite

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

NOTES TO THE FINANCIAL STATEMENTS

A valuation allowance of $9.7 million (2008 $17.7 million) has been recorded against the potential income tax benefits of the carry-forward losses, as full realization at this time is not considered more likely than not.

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 2009 $	December 31 2008 $
9. Deferred financing fees		
Balance at beginning of year	-	-
Deferred fees paid during the year	2,865	-
	2,865	-

Deferred Financing Fees represents costs associated with debt financing obtained from Trafigura. These costs include fees and commissions paid to banks, law firms and other professional fees. Since these payments generate future benefits, they are treated as an asset. The costs are capitalized, reflected in the balance sheet as an asset, and amortized over the finite life of the underlying debt instrument. Early debt repayment is likely to result in expensing these costs.

	December 31 2009 $	December 31 2008 $
10. Other non-current liability		
Balance at beginning of year	-	-
Non-current liability incurred during the year	6,589	-
Interest / Accretion expense	122	-
	6,711	-

Other non-current liability represents *Pas de Porte* (Entry Premium) payable to Gecamines in January 2011 and is measured by discounting the future contractual cash flows of $7.2 million at initial recognition, at the current market interest rate that was available for similar financial instruments at that time.

	December 31 2009 $	December 31 2008 $
11. Cash and cash equivalents		
Cash at bank and in hand	20,000	6,178
Deposits at call	100,753	38,855
	120,753	45,033

(a) Credit Risk Exposure

All cash investments not held in transactional bank accounts are invested in term deposits held with highly reputed financial institutions that have a short term credit rating of A1 or above (derived from short term credit ratings per S&P), providing average interest of 0.60% per annum with maturity tenures of 1 month or less. As at December 31, 2009 the term deposits have been spread amongst three banks. The credit risk exposure of the Group in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

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	December 31 2009 $	December 31 2008 $
12. Restricted cash		
Cash deposits held as security	887	871

At December 31, 2009 and December 31, 2008, 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.

These cash deposits have been re-classified as non-current at year ended 2009 and 2008, as they are not readily available to pay current obligations and have contractual restrictions.

	December 31 2009 $	December 31 2008 $
13. Accounts receivable		
Trade receivables (net of provision for doubtful debts)	13,437	19,349
Accrued interest income	85	452
Advances to suppliers and contractors	1,696	1,423
Current portion of long-term receivable - SNEL	1,033	-
Other	1,716	3,019
	17,967	24,243

Receivables are non-interest bearing and unsecured. Trade receivables are on the terms operating in the commodities industry, which usually require final settlement within two to four months following the date of shipment. For the year ended December 31, 2009, the Group derived approximately 90% of its revenues from one major customer. The credit risk exposure of the Group in relation to receivables is the carrying amount. There is no price risk exposure as explained in note 3 (a) (ii) (commodity price risk).

The current portion of long-term receivable of $1.0 million represents the amount receivable from Société Nationale d'Électricité ("SNEL") in relation to the 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.

(a) Impaired trade receivables

As at December 31, 2009, current trade receivables of the Group with a nominal value of $7.6 million (2008: $7.8 million) were considered uncollectible. The amount of provision for uncollectible trade receivables 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, 2009 $	December 31, 2008 $
Opening Balance	7,775	-
Add: provision for doubtful debts recognized during the year	-	7,775
Less: provision for doubtful debts written off during the year as uncollectible	(183)	-
Closing Balance	7,592	7,775

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, 2009, trade receivables of $7.9 million were fully performing (2008: $11.6 million) and $5.5 million were past due but considered collectable (2008: $7.7 million). The ageing analysis of these past due trade receivables is as follows:

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	December 31 2009 $	December 31 2008 $
Up to 3 months:	5,494	7,131
3 to 6 months:	-	572
	5,494	7,703

(c) Foreign exchange and interest rate risk

Trade receivables are not exposed to foreign exchange and interest rate risk.

(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.

	December 31 2009 $	December 31 2008 $
14. Inventories		
Raw materials and stores – at NRV	2,309	6,819
Ore stockpiles – at cost	21,485	25,187
Concentrate in stockpiles and in transit – at NRV	1,589	9,709
	25,383	41,715
Less: Non-current (low grade ore stockpiles) – at cost	(11,163)	(10,651)
Current Portion of Inventory	14,220	31,064

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 after 2011.

	December 31 2009 $	December 31 2008 $
15. Investments		
At cost:		
Current available-for-sale investments	1,487	59,736
Non-current available-for-sale investments	30,874	-
	32,361	59,736
At fair value:		
Current available-for-sale investments	1,243	24,032
Non-current available-for-sale investments	16,827	-
	18,070	24,032

The available-for-sale investments are intended to be held to maturity or liquidated should the Group's funding requirements necessitate. Of this balance, $3.3 million of the fair value of the available-for-sale investments (cost $0.8 million), represents Anvil's investment in Chalice Gold Mines Ltd (previously known as SBS – refer Note 3 a) (iii)).

The available-for-sale debt investment maturing on 14 June, 2010 has been classified as current asset. The remaining available-for-sale debt investments are due to mature between 2012 and 2014. The available-for-sale equity investment has no fixed maturity date but is intended to be held for more than a year.

(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.

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As at December 31, 2009, all available-for-sale investments were fully performing. No income relating to these investments was past due. Available-for-sale debt investments with a fair value of $14.8 million at year-end reflects an increase of $4.1 million as a result of a write back of provision for impairment. Available-for-sale equity investment with a fair value of $3.3 million at year-end reflects an increase of $2.5 million in the mark-to-market value.

	December 31 2009 $	December 31 2008 $
16. Prepaid expenses and deposits		
Prepayments to creditors and sub-contractors	24,471	49,428
Prepaid expenses – Other	1,053	1,045
Deposits to suppliers	375	785
	25,899	51,258

Due to the location of the Group's mining and project development operations, suppliers require significant prepayments as a prerequisite for delivery to site. Over $23.1 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 on property, plant and equipment, once delivery occurs.

17. Equity accounted investment

	December 31, 2009			December 31, 2008		
Name of Company	**Ownership interest %**	**No. of Shares**	**$**	**Ownership interest %**	**No. of Shares**	**$**
Sub-Sahara Resources NL ("SBS")	-	-	-	18	90,000,000	1,320

	December 31 2009 $	December 31 2008 $
(a) Movements in carrying amounts		
Opening carrying value in SBS – at cost	1,320	5,766
Share of profits/(loss)	-	(891)
Provision for impairment	(445)	(3,555)
Transfer to AFS investments	(875)	-
Carrying value at end of the period	-	(1,320)

The investment in SBS was transferred to available-for-sale investments in January 2009 as a result of our Company ceasing to have significant influence over the affairs of SBS.

	December 31 2009 $	December 31 2008 $
18. Long-term receivables		
Receivable from Société Nationale d'Électricité ("SNEL") – Ruashi Project	14,457	12,464
Receivable from SNEL – Pweto Project	1,011	-
Receivable from SNEL	15,468	12,464

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 agreed to provide $15.5 million for development of this infrastructure. The expected completion date for the development of the infrastructure is the first quarter of 2010 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

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completion of the infrastructure development. The current portion in relation to this project of $1.0 million has been reflected under Trade Receivables (refer note 13).

	December 31 2009 $	December 31 2008 $
19. Exploration and acquisition expenditure		
Exploration and acquisition expenditure at beginning of period	51,352	49,680
Expenditure transferred to development properties	-	(309)
Expenditure incurred [3]	14,257	33,271
Expenditure written off	(3,225)	(31,290)
Exploration and acquisition expenditure at end of period	**62,384**	**51,352**
Exploration expenditure per area of interest [1]		
- Kinsevere projects	20,182	21,057
- Mutoshi projects	13,779	12,811
- Other exploration projects	161	3,009
	34,122	36,877
Acquisition expenditure per area of interest [2]		
- Mutoshi projects [3]	28,262	14,475
	62,384	51,352
Total exploration and acquisition expenditure per area of interest		
- Kinsevere projects	20,182	21,057
- Mutoshi projects [3]	42,041	27,286
- Other exploration projects	161	3,009
	62,384	51,352

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.
3. Exploration costs for Mutoshi includes the $13.8 million premium payable (fair value) to Gécamines in relation to the DRC Government review of the mining agreements, of which $7.2 million was paid in December 2009 and the balance is payable in January 2011.

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	December 31, 2009		
	Cost	Accumulated depletion, amortization and write-down	Net book value
	$	$	$
20. Property, plant and equipment			
Kinsevere [1]			
Land and buildings	6,061	(1,894)	4,167
Plant and equipment	76,530	(56,872)	19,658
Mine property	128,946	(17,911)	111,035
Capital work in progress	174,059	-	174,059
	385,596	(76,677)	308,919
Mutoshi [2]			
Land and buildings	2,270	(447)	1,823
Plant and equipment	7,252	(6,412)	840
Mine property	11,139	(8,108)	3,031
Capital work in progress	4,601	-	4,601
	25,262	(14,967)	10,295
Services [3]			
Land and buildings	2,023	(372)	1,651
Plant and equipment	3,966	(2,451)	1,515
Capital work in progress	104	-	104
	6,093	(2,823)	3,270
Corporate and other [4]	3,910	(1,832)	2,078
Total	**420,861**	**(96,299)**	**324,562**
Discontinued Operation classified as held for sale (Dikulushi) [5]			
Land and buildings	3,473	(2,793)	680
Plant and equipment	26,721	(26,058)	663
Mine property	29,630	(28,637)	993
Capital work in progress	97	-	97
	59,921	(57,488)	2,433

1. The carrying value of expenditure on the Kinsevere project is dependent upon the successful development and commissioning of the SX-EW plant, or alternatively the sale of the related assets for at least the carrying value. The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC. This includes the $15 million premium payment for La Générale des Carriéres et des Mines (“Gécamines”) in relation to the DRC Government review of mining agreements, $10 million of which was settled in July 2009 and the remaining $5 million is to be paid in January 2010.
2. 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.
3. 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.
4. The Corporate and other assets are all located in Australia and Canada.
5. The asset held in discontinued operation represents the Dikulushi property, plant and equipment which 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.

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	December 31, 2008		
	Cost	Accumulated depletion, amortization and write-down	Net book value
	$	$	$
20. 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**

2. The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC.
3. 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.

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	December 31 2009 $	December 31 2008 $
21. Accounts payable and accrued liabilities		
Trade creditors	7,701	19,699
Creditor and other accruals	4,336	15,032
	12,037	34,731

22. 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, 2009 and 2008:

	December 31 2009 $	December 31 2008 $
At January 1	12,980	11,668
Less obligation relating to discontinued operation (note 7)	(983)	-
Accretion expense	861	1,312
At December 31	12,858	12,980

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%. 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 million. Payments are expected to occur over a period exceeding 19 years. During the year ended December 31, 2009 the accretion expense in relation to the liability was $0.9 million (year ended December 31, 2008: $1.3 million).

23. Non-controlling interests and social development expenditure

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.

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.

In July, 2009 Anvil's interest in the Mutoshi Joint Venture reduced from 80% to 70%, as a result of the DRC Government review of mining agreements. Gécamines interest increased from 20% to 30% on a non-dilutable basis. The Group now holds a beneficial interest of 70% 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.

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The movements in non-controlling interests during the year ended December 31, 2009 are as follows:

	December 31 2009 $	December 31 2008 $
(a) AMC – non-controlling interests		
Balance – beginning of period	1,909	11,361
Amounts disbursed on behalf of the Dikulushi Trusts during the period	(1,243)	(6,610)
Interests in net (loss) / earnings of AMC	(406)	(2,842)
Balance – end of period	**260**	**1,909**
(b) SMK – non-controlling interest		
Balance – beginning of period	-	1,963
Interests in net earnings of SMK	-	(1,963)
Balance – end of period	**-**	**-**
(c) AMCK – non-controlling interests		
Balance – beginning of period	-	556
Interests in net earnings of AMCK	-	(556)
Balance – end of period	**-**	**-**
Total non-controlling interests – end of period	**-**	**1,909**
(d) Social development expenditure		
Social development expenses in operating expenses (Kinsevere)	743	4,198
Social development expenses disbursed on behalf of the Dikulushi Trusts as disclosed in non-controlling interest	-	6,610
Total social development expenditure	**743**	**10,808**

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24. Common shares, share options and share warrants

(a) Equity Accounts

		December 31, 2009		December 31, 2008	
Common Shares		**No. of Shares**	**Amount $**	**No. of Shares**	**Amount $**
Balance – beginning of period		71,244,578	376,350	71,115,244	377,350
Exercise of stock options / warrants	(i)	-	-	129,334	982
Share issue	(ii)	78,412,929	112,634	-	-
Share issue expenses	(iii)	-	(4,981)	-	-
Issue of shares for services	(iv)	695,652	719	-	-
Shares purchased under ESSIP	(v)	-	-	-	(1,982)
Balance – end of period		**150,353,159**	**484,722**	**71,244,578**	**376,350**
Contributed Surplus					
Balance – beginning of period		-	7,069	-	4,758
Employee stock based compensation recognized		-	1,891	-	2,582
Transfer to common shares		-	-	-	(271)
Balance – end of period		-	**8,960**	-	**7,069**
Warrants (refer note 24(c))			**16,665**		**-**
Equity Accounts		**150,353,159**	**510,347**	**71,244,578**	**383,419**

(i) During the year ended December 31, 2009, there were no employee stock options or warrants exercised over common shares (December 31, 2008: 129,334 shares).

(ii) During the year ended 2009, the Company issued the following:

- On May 4, 2009, 30,015,000 Common Shares at a price of $C1.15 for gross proceeds of $29.3 million (C$34.5 million).
- On September 17, 2009, the first tranche of 15,644,293 Equity Units to Trafigura at a price of C$2.20 per unit for gross proceeds of $32.0 million (C$34.4 million)
- On December 16, 2009, the second tranche of 32,753,636 Equity Units to Trafigura at a price of C$2.20 per unit, for gross proceeds of $68.0 million (C$72.1 million)

(iii) The total share issue expenses relating to the issue of 30,015,000 Common Shares in (ii) above amounted to $2.1 million. In addition the Company incurred share issued expenses of $2.9 million in relation to the 48,397,929 Equity Units issued to Trafigura.

(iv) On June 17, 2009, the Company issued 695,652 Common Shares at a price of C$1.15 to BMO Nesbitt Burns Inc. ("BMO"). The shares were issued to settle an outstanding payment of $0.8 million due to BMO in connection with work carried out by BMO during 2008.

(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, 2009, the Company is able to issue an additional 10,772,931 (December 31, 2008 – 4,798,483) 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.

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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:	3.0%
Expected life:	57 months
Expected volatility:	86.9%
Expected dividend yield:	0%

During the year ended December 31, 2009, 400,000 stock options with an exercise price of C$1.35 each (total fair value of $0.37 million) and 150,000 options with an exercise price of $1.27 each (total fair value of $0.20 million) were issued in lieu of cash for services rendered by independent directors in connection with financings undertaken by the Company. In addition 100,000 stock options with an exercise price of C$1.16 each, and 150,000 stock options with an exercise price of C$1.60 each, with a total fair value of $0.08 million and $0.15 million respectively were issued to non-executive directors pursuant to the terms of the Plan. 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, 2009, 2,030,000 stock options with an exercise price of C$1.35, with a total fair value of $1.49 million, were issued to employees under the Plan and no employee stock options were exercised. 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.

The exercise price of options is based on the weighted average price at which the company's shares 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, 2009 amounted to $1.9 million (year ended December 31, 2008 – $2.6 million). As at December 31, 2009, the aggregate fair value of unvested stock options remaining to be charged to income amounted to $0.5 million (December 31, 2008– $2.5 million).

	December 31, 2009		December 31, 2008	
Outstanding stock options	**No. of Shares**	**Weighted Average Exercise Price**	**No. of Shares**	**Weighted Average Exercise Price**
Canadian Dollar based options [1]				
Outstanding at beginning of period	2,325,975	C$8.39	2,162,879	C$7.59
Granted under plan	2,830,000	C$1.35	506,157	C$12.07
Exercised	-		(129,334)	C$5.50
Expired and forfeited	(871,590)	C$6.39	(213,727)	C$10.83
Outstanding at the end of the period	**4,284,385**	**C$10.49**	**2,325,975**	**C$8.39**
Options vested and outstanding at the end of the period	**2,082,382**	**C$5.15**	**939,015**	**C$5.74**

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

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The following table summarizes information about stock options outstanding at December 31, 2009:

	Options outstanding			Options exercisable		
Range of exercise prices	**No. of stock options outstanding at December 31, 2009**	**Weighted average of remaining contractual life (months)**	**Weighted average exercise price**	**No. of stock options vested and outstanding at December 31, 2009**	**Weighted average of remaining contractual life (months)**	**Weighted average exercise price**
C$1.16-C$1.60	2,590,000	37	C$1.35	800,000	63	C$1.36
C$3.80	320,000	17	C$3.80	320,000	17	C$3.80
C$4.25–C$4.66	150,000	7	C$4.27	150,000	7	C$4.27
C$7.06	194,334	27	C$7.06	194,334	27	C$7.06
C$9.41	600,000	32	C$9.41	433,333	32	C$9.41
C$11.06-C$11.84	50,000	35	C$11.28	16,667	35	C$11.28
C$12.04-C$12.43	230,958	46	C$12.26	101,986	44	C$12.21
C$13.09	100,000	50	C$13.09	33,333	50	C$13.09
C$14.06	49,093	39	C$14.06	32,729	39	C$14.06
Total	**4,284,385**	**34**	**C$4.15**	**2,082,382**	**40**	**C$5.15**

(c) Warrants

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

Date	**Details**	**No of warrants**	**Exercise Price**	**Amount $**
	Balance at December 31, 2008	-		-
September 2009	Issue of warrants	3,629,476	C$2.75	5,532
December 2009	Issue of warrants	7,598,844	C$2.75	11,133
	Balance at December 31, 2009	**11,228,320**	**C$2.75**	**16,665**

On September 17, 2009, the company issued the first tranche of 15,644,293 Equity Units at a price of C$2.20 per unit, with each unit comprised of one Common Share of Anvil and 0.232 of one Common Share purchase warrant. This gave effect to 3,629,476 warrants, with each whole warrant entitling the holder to acquire one additional Common Share upon payment of $2.75 (for a period of thirty months from the date of issuance of the Warrant). The fair value of the warrants issued has been estimated at the date of issue using the Black-Scholes pricing model using the following assumptions: risk-free rate of 1.35%; volatility factor of the expected market price of the Company's common stock of 134.6%; and an expected life of options of 30 months. The estimated fair value of the 3,629,476 warrants issued amounts to $5.5 million.

On December 16, 2009, the company issued the second tranche of 32,753,636 Equity Units at a price of C$2.20 per unit, with each unit comprised of one Common Share of Anvil and 0.232 of one Common Share purchase warrant. This gave effect to 7,598,844 warrants, with each whole warrant entitling the holder to acquire one additional Common Share upon payment of $2.75 (for a period of thirty months from the date of issuance of the Warrant). The fair value of the warrants issued has been estimated at the date of issue using the Black-Scholes pricing model using the following assumptions: risk-free rate of 1.64%; volatility factor of the expected market price of the Company's common stock of 93.7%; and an expected life of options of 30 months. The estimated fair value of the 7,598,844 warrants issued amounts to $11.1 million.

25. Commitments

(a) Exploration Expenditure Commitments

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.

NOTES TO THE FINANCIAL STATEMENTS

(b) Kinsevere mine

The outstanding capital commitments of the Kinsevere mine contracted for as at December 31, 2009 were $13.7 million (December 31, 2008 - $40.0 million). Under the Kinsevere acquisition agreement, AMCK has an ongoing obligation to pay a mining royalty of 2.5% of gross turnover to Gécamines. AMCK also has a similar obligation of 2% of net sales to the DRC Government.

(c) Mutoshi mine

Under the Mutoshi acquisition agreement, SMK has an ongoing obligation to pay a mining royalty of 2.5% of gross turnover to Gécamines. SMK also has a similar royalty obligation of 2% of net sales to the DRC Government.

(d) 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. The funds once repatriated, are available to the Company to meet obligations both within and outside the DRC. At December 31, 2009 the amount to be repatriated was $4.4 million (December 31, 2008 - nil). The funds were repatriated on January 15, 2010.

26. 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 EAF commenced operation during the third quarter of 2008 and is currently on care & maintenance. 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. Dikulushi was placed on care and maintenance during the fourth quarter of 2008.

Mutoshi

In July, 2009 Anvil's interest in the Mutoshi Joint Venture reduced from 80% to 70%, as a result of the DRC Government review of mining agreements. Gécamines' interest increased from 20% to 30% on a non-dilutable basis. The Group now holds a beneficial interest of 70% 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 to produce an oxide copper concentrate. HMS processing operations ceased during the fourth quarter of 2008. 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.

CDA

The corporate development, administration and other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting and corporate administration.

For the year ended December 31, 2009, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009, segmented information is presented as follows

	2009						
	Kinsevere $	**Mutoshi $**	**CDA $**	**Inter $**	**Total continued operations $**	**Discontinued operations (Dikulushi) $**	**Total operations $**
Concentrate sales	49,442	(207)	-	-	49,235	1,814	51,048
Operating expenses	(34,364)	(1,362)	(4,053)	-	(39,779)	(4,844)	(44,623)
Amortization	(12,912)	(1,516)	(2,052)	-	(16,480)	(859)	(17,339)
Segmented operating profit / (loss)	**2,166**	**(3,085)**	**(6,105)**	**-**	**(7,024)**	**(3,889)**	(10,914)
Interest and financing fees	(814)	(2,653)	(160)	2,487	(1,140)	-	(1,140)
Other income	278	(77)	12,338	(11,217)	1,322	101	1,423
Loss on derivative instrument	(586)	-	-	-	(586)	-	(586)
Write back provision for impairment of assets	-	-	4,052	-	4,052	-	4,052
Provision for impairment of assets	(2,431)	-	(445)	-	(2,876)	(358)	(3,234)
Exploration expenditure written off	-	-	(3,225)	-	(3,225)	-	(3,225)
Other expenses	(8,881)	(894)	(10,453)	8,730	(11,497)	86	(11,411)
Segmented (loss) before under noted items	**(10,268)**	**(6,709)**	**(3,997)**	**-**	**(20,974)**	**(4,061)**	(25,035)
Income taxes	3,116	(3)	186	-	3,299	410	3,709
Non-controlling interest	-	-	-	-	-	406	406
Segmented (loss)	**(7,152)**	**(6,712)**	**(3,811)**	**-**	**(17,675)**	**(3,245)**	(20,920)
Property, plant and equipment	309,919	10,295	5,348	-	324,562	2,433	326,995
Total assets	458,449	58,119	97,670	-	614,238	7,270	621,508
Capital expenditures	44,096	4,738	479	-	49,313	-	49,313

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

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For the year ended December 31, 2008, segmented information is presented as follows

	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 profit / (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 profit / (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)

The operations in DRC comprise i) the Kinsevere copper mine, which is currently operating a HMS plant, ii) the Dikulushi copper-silver mine, which is currently classified as discontinued operations, held for sale, iii) the Mutoshi copper mine, which has ceased operating the HMS plant and is currently under care and maintenance, and iv) 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 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 2009	December 31 2008
	$	$
Total assets – Geographical reporting		
Democratic Republic of Congo	523,701	454,412
Zambia	712	783
Philippines	-	3,424
Australia [1]	66,524	40,332
Canada [1]	23,301	33,671
	614,238	**532,622**

[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)

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

	Year ended December 31 2009 $	2008 $
Revenues – Geographical reporting		
Democratic Republic of Congo	49,235	191,240

27. Loss per share from continuing operations

	2009	2008
Basic loss per share	(0.18)	(1.95)
Diluted loss per share	(0.18)	(1.95)
Weighted average number of ordinary shares outstanding - basic earnings per share	97,284,616	71,244,578
Weighted average number of ordinary shares outstanding - diluted earnings per share	97,284,616	71,244,578

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

	Year ended December 31, 2009		
	Loss $	No. of Shares	$ per share amount
Basic & Diluted loss per share Loss available to shareholders	(17,675)	97,284,616	(0.18)

	Year ended December 31, 2008		
	Loss $	No. of Shares	$ per share amount
Basic & Diluted loss per share Loss available to shareholders	(138,537)	71,244,578	(1.95)

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

NOTES TO THE FINANCIAL STATEMENTS

	Year ended December 31 2009 $	Year ended December 31 2008 $
28. Supplementary cash flow information		
(a) Changes to non-cash working capital		
Accounts receivable	2,902	33,902
Inventories	11,598	(20,632)
Prepaid expenses and deposits	(1,101)	(368)
Accounts payable and accrued liabilities	(8,526)	(703)
Income taxes	(45)	(4,653)
Other liabilities	(360)	1,163
	4,468	8,709
(b) Other information		
Interest and financing fees paid	(160)	(67)
Interest received	1,393	8,288
Income tax paid	-	(6,238)

29. Subsequent events

During February, the Company reached agreement with Mawson West Limited ("Mawson West") on the terms and conditions for the sale of the Company's 90% interest in Anvil Mining Congo SARL ("AMC"). AMC is the holder of the Dikulushi Mining Convention and the Dikulushi copper-silver mine in the DRC which was placed on care and maintenance in the fourth quarter of 2008.

Under the terms of the agreement with Mawson West, the shares in AMC held by Anvil will be transferred to Mawson West, in consideration for which Anvil will receive 83,070,000 shares in Mawson West, representing approximately 28% of the issued and outstanding shares in Mawson West, on an undiluted basis.

The agreement also provides that so long as Anvil holds at least 15% of the issued and outstanding shares in Mawson West, Anvil will have top-up rights to ensure that it may participate in any future share issues or placements so that it is able to maintain its percentage shareholding in Mawson West and the right to appoint one director to the Mawson West Board of Directors.

30. 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").

Set out below are the condensed statements of earnings and balance sheets for the year ended December 31, 2009 and December 31, 2008 of the Closed Group and the Extended Closed Group:

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

NOTES TO THE FINANCIAL STATEMENTS

Condensed Statement of Earnings	Closed Group		Extended Closed Group [1]	
	Year Ended December 31 2009 $	Year Ended December 31 2008 $	Year Ended December 31 2009 $	Year Ended December 31 2008 $
Copper-silver concentrate sales	-	-	49,235	191,240
Cost of operations	-	-	(39,779)	(150,876)
Amortization	-	-	(16,480)	(43,400)
Operating profit	-	-	(7,024)	(3,036)
Other income / (expenses) [2]	2,257	(4,288)	1,322	8,173
Share of loss in associates	-	(891)	-	(891)
General, administrative and marketing	(7,713)	(7,482)	(10,067)	(22,748)
Loss on derivative instrument	(586)		(586)	-
Exploration expenditure written off	-	(1,155)	(3,225)	(31,290)
Foreign exchange gains	645	1,450	461	140
Provision for impairment of assets	-	(29,893)	(2,876)	(103,142)
Write back of Provision for impairment of investments	4,052		4,052	
Stock based compensation	(1,891)	(2,582)	(1,891)	(2,582)
Interest and financing fees	(88)	(3)	(1,140)	(1,379)
(Loss) / Earnings before income tax and non controlling interests	(3,324)	(44,844)	(20,974)	(156,755)
Income tax (expense) / recovery	-	(1,734)	3,299	12,857
Non-controlling interest share of loss / (gain)	-	-	-	5,361
Net (loss) / income from continuing operations	(3,324)	(46,578)	(17,675)	(138,537)
Loss from discontinued operation before NCI			(3,651)	
Non-controlling interest share of loss			406	
Net loss	(3,324)	(46,578)	(20,920)	(138,537)
Retained earnings / (deficit) at beginning of the year	(77,419)	104,416	70,987	209,524
Adjustment to opening retained earnings	-	-	-	-
Share of loss in associates	-	-	-	-
Dividends declared [2]	-	(135,257)	-	-
Retained (deficit) / earnings at end of the year	(80,743)	(77,419)	51,067	70,987

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

NOTES TO THE FINANCIAL STATEMENTS

Condensed balance sheets	Closed Group		Extended Closed Group[1]	
	December 31 2009 $	December 31 2008 $	December 31 2009 $	December 31 2008 $
ASSETS				
Current assets				
Cash and cash equivalents	1,960	2,252	120,753	45,033
Accounts receivable	44	87	17,967	24,243
Inventories	-	-	14,220	31,064
Available-for-sale investments	1,243	24,032	1,243	24,032
Prepaid expenses and deposits	99	69	25,899	51,258
Current assets classified as held for sale			2,114	-
	3,346	26,440	182,196	175,630
Non current assets				
Receivables from subsidiaries [3]	407,307	277,738	-	-
Restricted cash	608	481	887	871
Available-for-sale investments	16,827	-	16,827	-
Deferred financing fees	2,865	-	2,865	-
Equity accounted investment	-	1,320		1,320
Long-term receivable	-	-	15,468	12,464
Long-term inventory	-	-	11,163	10,651
Exploration and acquisition expenditure	1,765	2,264	62,384	51,352
Property, plant and equipment	3	151	324,562	280,334
Non-current assets classified as held for sale	-	-	5,156	-
	429,375	281,954	439,312	356,992
	432,721	308,394	621,508	532,622
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	304	1,796	12,037	34,731
Derivative financial instrument	-	-	586	-
Income taxes payable	-	-	6	463
Other liabilities	48	39	1,712	2,460
Current portion of long-term debt	-	-	290	362
Current liabilities directly associated with non-current assets classified as held for sale	-	-	1,764	-
	352	1,835	16,395	38,016
Long-term debt	-	-	74	321
Asset retirement obligations	-	-	12,858	12,980
Other non-current liability	-	-	6,711	-
Future income tax liability	-	-	21,048	24,431
Non-current liabilities directly associated with non-current assets classified as held for sale	-	-	983	-
	-	-	41,674	37,732
Total liabilities	352	1,835	58,069	75,748
Non-controlling interest	-	-	260	1,909
	352	1,835	58,329	77,657
Shareholders' equity				
Equity accounts	513,112	383,978	513,112	383,978
Retained (deficit) / earnings	(80,743)	(77,419)	50,067	70,987
Total shareholders' equity	432,369	306,559	563,179	454,965
	432,721	308,394	621,508	532,622

NOTES TO THE FINANCIAL STATEMENTS

(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 $(1.3) million for the year ended December 31, 2009 (year ended December 31, 2008: $1.5 million).

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