

Anvil Mining Limited

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

Anvil Mining Limited

Consolidated Financial Statements

Three months (Second Quarter) ended June 30, 2010

(Unaudited)

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

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

Consolidated Balance Sheets			
	Notes	June 30 2010 \$	December 31 2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	63,460	120,753
Trade and other receivables	10	16,230	17,967
Inventories	11	12,789	14,220
Available-for-sale ("AFS") investments	12	-	1,243
Prepaid expenses and deposits	14	4,163	25,899
Current assets classified as held for sale		-	2,114
Total current assets		96,642	182,196
Non-current assets			
Restricted cash	9	899	887
Available-for-sale investments	12	22,633	16,827
Investments accounted for using the equity method	13	12,234	-
Deferred financing fees	6	3,059	2,865
Long-term inventory	11	12,580	11,163
Long-term receivable	15	15,346	15,468
Exploration and acquisition expenditure	16	61,303	62,384
Property, plant and equipment	17	409,127	324,562
Non-current assets classified as held for sale		-	5,156
Total non-current assets		537,181	439,312
Total assets		633,823	621,508
LIABILITIES			
Current liabilities			
Trade and other payables	18	27,302	12,037
Derivative financial instruments		995	586
Current tax liabilities		54	6
Provisions		1,758	1,712
Current portion of long-term debt		224	290
Current portion of liabilities directly associated with non-current assets classified as held for sale		-	1,764
Total current liabilities		30,333	16,395
Non-current liabilities			
Deferred tax liabilities		13,036	21,048
Other non-current liability	7	-	6,711
Long-term debt		-	74
Asset retirement obligations		12,933	12,858
Non-current portion of liabilities directly associated with non-current assets classified as held for sale		-	983
Total non-current liabilities		25,969	41,674
Total liabilities		56,302	58,069
Net assets		577,521	563,439

Consolidated Balance Sheets

	Notes	June 30 2010 \$	December 31 2009 \$
EQUITY			
Equity accounts	20	509,261	510,347
Retained earnings		67,517	50,067
Accumulated other comprehensive income		2,481	2,765
Capital and reserves attributable to equity holders		579,259	563,179
Non-controlling interest	19	(1,738)	260
Total equity		577,521	563,439

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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	3 Months Ended June 30 2010	3 Months Ended June 30 2009	6 Months Ended June 30 2010	6 Months Ended June 30 2009
		\$	\$	\$	\$
Revenue from continuing operations		14,529	7,738	30,015	9,384
Operating expenses		(8,684)	(11,371)	(16,145)	(23,823)
Amortization		(4,236)	(4,032)	(8,966)	(7,697)
		1,609	(7,665)	4,904	(22,136)
Other income	3	400	125	1,146	446
Provision for impairment of assets	3	-	(258)	-	(4,935)
Write back of provision for impairment of assets	3	3,905	-	4,809	-
Loss on derivative instruments	5	(757)	-	(409)	-
Share of loss in equity accounted investment		(226)	-	(226)	-
Exploration expenditure written off		(1,315)	(3,224)	(1,315)	(3,224)
General, administrative and marketing		(3,105)	(3,208)	(5,459)	(5,842)
Foreign exchange (losses) / gains		(427)	905	(111)	1,545
Stock based compensation		(114)	254	(382)	(1,106)
Interest and financing fees	3	(525)	(280)	(1,060)	(518)
(Loss) / income before income tax and non-controlling interest		(555)	(13,351)	1,897	(35,770)
Income tax benefit	4	4,414	1,692	8,011	5,234
Non-controlling interest share of loss		1,198	310	1,738	354
Net income / (loss) from continuing operations		5,057	(11,349)	11,646	(30,182)
Loss from discontinued operation		-	-	(107)	-
Gain on sale of discontinued operation	3	5,911	-	5,911	-
Net income / (loss)		10,968	(11,349)	17,450	(30,182)
Other comprehensive income, net of taxes:					
Net unrealized (losses) / gains on available-for-sale investments		(234)	3,367	(284)	3,367
Total comprehensive income / (loss)		10,734	(7,982)	17,166	(26,815)
Profit / (loss) per share from continuing operations:					
Basic & diluted profit / (loss) per share (\$)	23	0.03	(0.13)	0.08	(0.37)

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

	June 30, 2010		June 30, 2009	
	Number	Amount \$	Number	Amount \$
Common shares				
Balance at beginning of period	150,353,159	484,722	71,244,578	376,350
Share issue	-	-	30,710,652	27,919
Exercise of stock options	50,000	107	-	-
Shares purchased under Executive and Senior Staff Incentive Plan ("ESSIP")	(442,679)	(1,238)	-	-
Share issue expenses	-	(300)	-	-
Balance at end of period	149,960,480	483,291	101,955,230	404,269
Contributed surplus				
Balance at beginning of period		8,960		7,069
Employee stock based compensation recognized		382		1,106
Transfer to common shares		(37)		-
Balance at end of period		9,305		8,175
Warrants				
Balance at beginning and end of period		16,665		-
Equity accounts		509,261		412,444
Retained earnings				
Balance at beginning of period		50,067		70,987
Net income / (loss) income for the period		17,450		(30,182)
Balance at end of period		67,517		40,805
Accumulated other comprehensive income				
Balance at beginning of period		2,765		559
Net unrealized (losses) / gains on available-for-sale investments		(284)		3,367
Balance at end of period		2,481		3,926
Shareholders' equity at end of period		579,259		457,175

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	3 Months Ended June 30		6 Months Ended June 30	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash flows from operating activities					
Net income / (loss) for the period from continuing operations		5,057	(11,349)	11,646	(30,182)
Items not affecting cash:					
- Amortization		4,236	4,032	8,966	7,697
- Provision for impairment of assets		(3,905)	258	(4,809)	4,935
- Share of loss in Equity Accounted Investment		226	-	226	-
- Loss on derivative instruments		757	-	409	-
- Non cash finance cost		541	215	1,044	430
- Loss on sale of assets		-	52	-	42
- Exploration expenditure written off		1,315	3,224	1,315	3,224
- Provision for bad and doubtful debts		450	-	450	-
- Non-controlling interest share of loss		(1,198)	(310)	(1,738)	(354)
- Unrealized foreign exchange loss / (gain)		129	(552)	(193)	59
- Future income tax		(4,414)	(1,719)	(8,011)	(5,265)
- Stock based compensation		114	(254)	382	1,106
Changes in non-cash working capital	24	3,580	1,025	(1,398)	11,806
		6,888	(5,378)	8,289	(6,502)
Cash flows from investing activities					
Payments for property, plant and equipment		(23,492)	(9,649)	(57,021)	(27,297)
Payment as security deposit		(6,460)	-	(6,460)	-
Proceeds from sale of assets		-	342	-	352
Payments for exploration expenditure		(5)	(42)	(531)	(1,108)
Proceeds of principal repayments from investments		112	11,060	112	11,528
		(29,845)	1,711	(63,900)	(16,525)
Cash flows from financing activities					
Proceeds from issue of shares (net of issue expenses)		41	27,199	(229)	27,199
Deferred borrowing costs		(256)	-	(531)	-
Movement in restricted cash		127	(79)	44	(93)
Payments of debt		(70)	-	(140)	-
Shares purchased - ESSIP		(1,238)	-	(1,238)	-
Disbursements on behalf of Dikulushi Trusts		-	(434)	-	(437)
		(1,396)	26,686	(2,094)	26,669
Adjustment for discontinued operations		479	-	-	-
Net (decrease) / increase in cash and cash equivalents		(23,874)	23,019	(57,705)	3,642
Cash and cash equivalents at beginning of the period		87,442	25,617	121,234	45,033
Effects of exchange rate changes on cash held in foreign currencies		(108)	41	(69)	2
Cash and cash equivalents at end of the period		63,460	48,677	63,460	48,677

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

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of Operations

Anvil Mining Limited (the "Company") and its subsidiaries (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 copper project ("Kinsevere"), a 70% interest in the Mutoshi project, which includes the Kulu copper mine and the exploration tenements ("Mutoshi"), all of which are situated in the Democratic Republic of Congo ("DRC"), and other exploration tenements situated in the DRC.

2. Basis of presentation and new accounting policies

a) Basis of Preparation and Presentation

The unaudited interim consolidated financial statements have been prepared and presented by Anvil Mining Limited under the generally accepted accounting principles ("GAAP") of Canada. The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the Notes to the Company's audited consolidated financial statements for the year ended December 31, 2009, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The financial statements of the Group include the consolidation of Anvil and all of its subsidiaries. The subsidiaries include those entities that are controlled by the parent entity. 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 their 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.

b) 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. The Company elected to adopt accounting for the non-controlling interests share of loss from January 1, 2010.

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

NOTES TO THE FINANCIAL STATEMENTS

	3 Months Ended June 30		6 Months Ended June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
3. Other Income				
Interest received	400	177	992	488
(Loss) on sale of assets	-	(52)	-	(42)
Other miscellaneous income	-	-	154	-
	400	125	1,146	446
Gain on sale of discontinued operation ¹	5,911	-	5,911	-
Interest and financing fees				
Interest	(7)	(280)	(17)	(518)
Amortization of deferred borrowing costs	(165)	-	(337)	-
Interest / Accretion of asset retirement obligation	(353)	-	(706)	-
	(525)	(280)	(1,060)	(518)
Provision for impairment				
Relating to available-for sale-investments	-	(258)	-	(3,816)
Relating to equity accounted investments	-	-	-	(445)
Relating to long lived assets	-	-	-	(674)
	-	(258)	-	(4,935)
Exploration expenditure written off				
Philippines regional exploration projects	-	(3,224)	-	(3,224)
Exploration various	(1,315)	-	(1,315)	-
	(1,315)	(3,224)	(1,315)	(3,224)
Reversal of impairment of available-for-sale debt investments	3,905	-	4,809	-

1. Gain on sale of discontinued operation resulted from the consideration received from Mawson West Ltd. ("Mawson West") of \$12.5 million (83,070,000 shares in Mawson West valued at \$0.15 per share), for Anvil's 90% interest in the Dikulushi mine which had been valued at \$5.7 million. Further costs of \$0.9 million relating to the sale resulted in a net gain on the sale of Dikulushi of \$5.9 million.

4. Income tax

The income tax benefit of \$8.0 million for the year and \$4.4 million for the current quarter, relates to tax losses which are expected to reduce future taxable income within the relevant tax jurisdiction.

5. Derivative financial instruments**Mark-to-market adjustments****Income statement**

	3 Months Ended June 30		6 Months Ended June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Loss recognized on forward foreign exchange contracts – held for trading	(757)	-	(409)	-

Under the terms of the engineering, procurement and construction contract with Ausenco Limited in connection with the development of the Kinsevere Solvent Extraction Electrowinning ("SX-EW") plant, a portion of the costs for which the Company is responsible is denominated in Australian Dollars (AUD) and South African Rand (ZAR). In total, the Company is required to purchase AUD17,274,601 and a total of ZAR159,552,181 over the course of 2010. In order to mitigate the risk of an adverse movement in the AUD and ZAR exchange rates, the Company has entered into a series of forward contracts in which it has locked in the exchange rates at which the required AUD and ZAR is purchased during 2010.

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

NOTES TO THE FINANCIAL STATEMENTS

	June 30 2010	December 31 2009
	\$	\$
6. Deferred financing fees		
Balance at beginning of year	2,865	-
Deferred fees paid during the year	531	2,865
Amortization of deferred borrowing costs	(337)	-
	3,059	2,865

Deferred financing fees represents costs incurred in connection with a project loan facility with Trafigura Beheer B.V. ("Trafigura"). These costs include fees and commissions paid to financial and legal advisors and other professional fees. As 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 under the project loan facility may result in expensing of these costs.

	June 30 2010	December 31 2009
	\$	\$
7. Other non-current liability		
Balance at beginning of year	6,711	-
Non-current liability incurred during the year	-	6,589
Interest / accretion expense	245	122
Reclassified to current under 'Accounts payable & accrued liabilities'	(6,956)	-
	-	6,711

Other non-current liability comprises the *Pas de Porte* (Entry Premium) payable to La Générale des Carrières et des Mines ("Gécamines") in January 2011 which 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.

	June 30 2010	December 31 2009
	\$	\$
8. Cash and cash equivalents		
Cash at bank and in hand	27,208	20,000
Deposits at call	36,252	100,753
	63,460	120,753

(a) Credit Risk Exposure

All cash investments not held in transactional bank accounts are invested in term deposits held with reputable financial institutions that have a short-term credit rating of A1 or above (derived from short-term Standard and Poors credit ratings), providing average interest of 0.60% *per annum* with various terms of maturity up to a maximum of one month. As at June 30, 2010 the term deposits have been placed with two banks. The credit risk exposure of the Group in relation to cash and deposits is the carrying amount and any associated accrued unpaid interest.

	June 30 2010	December 31 2009
	\$	\$
9. Restricted cash		
Cash deposits held as security	899	887

At June 30, 2010, and December 31, 2009 the cash deposits were held by the Group's bankers for future mine property rehabilitation and guarantees for acquisition of equipment related to Kinsevere Stage II. These cash deposits have been classified as non-current, as they are not readily available to pay current obligations and have contractual restrictions.

NOTES TO THE FINANCIAL STATEMENTS

	June 30 2010 \$	December 31 2009 \$
10. Trade and other receivables		
Trade receivables (net of provision for doubtful debts)	5,833	13,437
Accrued interest income	65	85
Advances to suppliers and contractors	1,448	1,696
Current portion of long-term receivable - Société Nationale d'Électricité ("SNEL")	919	1,033
Payment for security deposit	6,460	-
Other	1,505	1,716
	16,230	17,967

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.

The current portion of long-term receivable represents the amount receivable from SNEL, the Government electricity company in the DRC, in relation to the joint venture agreement with Ruashi Mining sprl ("Ruashi") to construct infrastructure necessary to ensure supply of the required power for the operation of the Kinsevere Stage II SX-EW plant.

	June 30 2010 \$	December 31 2009 \$
11. Inventories		
Raw materials and stores – at net realisable value	2,053	2,309
Ore stockpiles – at cost	23,081	21,485
Concentrate in stockpiles and in transit – at cost	235	1,589
	25,369	25,383
Less: Non-current (low-grade ore stockpiles) – at cost	(12,580)	(11,163)
Current Portion of Inventory	12,789	14,220

The low-grade ore stockpiles at Kinsevere have been classified as non-current as they are expected to be processed only in the later years of the operation of the Stage II SX-EW plant. .

	June 30 2010 \$	December 31 2009 \$
12. Investments		
At cost:		
Current available-for-sale investments	-	1,487
Non-current available-for-sale investments	32,250	30,874
	32,250	32,361
At fair value:		
Current available-for-sale investments	-	1,243
Non-current available-for-sale investments	22,633	16,827
	22,633	18,070

The available-for-sale investments are intended to be held to maturity, or liquidated should the Group's funding requirements necessitate. Of this balance, \$2.8 million of the fair value of the available-for-sale investments represents Anvil's investment in Chalice Gold Mines Ltd. An available-for-sale investment valued at approximately \$1.4 million was classified as a current asset in the March 31, 2010 financial statements, however has now been reclassified as a non-current asset owing to a deferral in its expected maturity date.

NOTES TO THE FINANCIAL STATEMENTS

13. Equity accounted investment

Name of Company	June 30, 2010		
	Ownership interest %	No. of Shares	\$
Mawson West Ltd	28	83,070,000	12,234

Mawson West Ltd is an Australian based copper and gold explorer.

**June 30
2010**
\$

(a) Movements in carrying amounts

Opening carrying value in Mawson West Ltd – at cost	-
Cost of investments acquired during the period	12,460
Share of loss	(226)
Carrying value at end of the period	12,234

At April 9, 2010 Anvil finalised the agreement with Mawson West Limited for the sale of the Anvil Mining Congo SARL (“AMC”). AMC is the holder of the Dikulushi Mining Convention and the Dikulushi copper-silver mine in the DRC.

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

June 30 December 31
2010 2009
\$ \$

14. Prepaid expenses and deposits

Prepayments to creditors and sub-contractors	2,406	24,471
Prepaid expenses – other	1,382	1,053
Deposits to suppliers	375	375
	4,163	25,899

June 30 December 31
2010 2009
\$ \$

15. Long-term receivables

Receivable from SNEL – Ruashi Project	14,335	14,457
Receivable from SNEL – Pweto Project	1,011	1,011
	15,346	15,468

The Group entered in to a joint venture agreement with Ruashi 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 \$16.5 million for development of this infrastructure. The expected completion date for the development of the infrastructure is the end of August 2010, at which time it shall become the property of SNEL. The Group’s costs incurred in this development will be recovered through a series of monthly repayments over a five-year period that commences six months from completion of the infrastructure development.

NOTES TO THE FINANCIAL STATEMENTS

	June 30 2010 \$	December 31 2009 \$
16. Exploration and acquisition expenditure		
Exploration and acquisition expenditure at beginning of year	62,384	51,352
Expenditure incurred	234	14,257
Expenditure written off	(1,315)	(3,225)
Exploration and acquisition expenditure at end of period	61,303	62,384
Exploration expenditure per area of interest ¹		
- Kinsevere projects	20,117	20,182
- Mutoshi projects	12,897	13,779
- Other exploration projects	27	161
	33,041	34,122
Acquisition expenditure per area of interest ²		
- Mutoshi projects ³	28,262	28,262
	61,303	62,384
Total exploration and acquisition expenditure per area of interest		
- Kinsevere projects	20,117	20,182
- Mutoshi projects ³	41,159	42,041
- Other exploration projects	27	161
	61,303	62,384

The carrying value of expenditure on areas of interest in the exploration phase is dependent upon the successful development and commercial exploitation of the deposits on 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 include 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.

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2010		
	Cost	Accumulated depletion, amortization and write- down	Net book value
	\$	\$	\$
17. Property, plant and equipment			
Kinsevere ¹			
Land and buildings	6,080	(2,274)	3,806
Plant and equipment	76,983	(61,806)	15,177
Mine property	128,946	(20,373)	108,573
Capital work in progress	267,185	-	267,185
	<u>479,194</u>	<u>(84,453)</u>	<u>394,741</u>
Mutoshi ²			
Land and buildings	2,270	(589)	1,681
Plant and equipment	7,131	(6,805)	326
Mine property	11,139	(8,108)	3,031
Capital work in progress	4,603	-	4,603
	<u>25,143</u>	<u>(15,502)</u>	<u>9,641</u>
Services ³			
Land and buildings	2,023	(425)	1,598
Plant and equipment	3,080	(1,928)	1,152
	<u>5,103</u>	<u>(2,353)</u>	<u>2,750</u>
Corporate and other ⁴	4,254	(2,259)	1,995
	<u>4,254</u>	<u>(2,259)</u>	<u>1,995</u>
Total	<u>513,694</u>	<u>(104,567)</u>	<u>409,127</u>

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2009		
	Cost	Accumulated depletion, amortization and write- down	Net book value
	\$	\$	\$
17. Property, plant and equipment (cont.)			
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
	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 entry premium payment for Gécamines in relation to the DRC Government review of mining agreements.

2 The Mutoshi property, plant and equipment includes all property, plant and equipment related to Mutoshi Stage I Heavy Separation Plant ("HMS"), 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.

NOTES TO THE FINANCIAL STATEMENTS

	June 30 2010	December 31 2009
	\$	\$
18. Trade and other payables		
Trade creditors	15,522	7,701
Premium payable to Gécamines	6,955	-
Creditor and other accruals	4,825	4,336
	<u>27,302</u>	<u>12,037</u>

19. Non-controlling interests and social development expenditure

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

The Group holds a beneficial interest of 70% in Société Minière de Kolwezi sprl ("SMK") which is the owner and operator of the Mutoshi project, including the Stage I HMS development that processed material from the Kulumaziba river tailings deposit at the Kulu operation and the holder of other exploration tenements in the Kolwezi region. Gécamines holds the remaining 30% interest in SMK on a non-dilutable basis.

The movements in non-controlling interests during the period ended June 30, 2010 are as follows:

	June 30 2010	December 31 2009
	\$	\$
(a) AMC – non-controlling interests		
Balance – beginning of period	260	1,909
Amounts disbursed on behalf of the Dikulushi Trusts during the period	(25)	(1,243)
Reimbursement of advance to Trusts	360	-
Interests in net (loss) / earnings of AMC	(10)	(406)
AMC non controlling interests reclassified as Trade and other payables	(585)	-
	<u>-</u>	<u>260</u>
(b) SMK – non-controlling interest		
Balance – beginning of year	-	-
Interests in net losses of SMK	(770)	-
Balance – end of period	<u>(770)</u>	<u>-</u>
(c) AMCK – non-controlling interest		
Balance – beginning of year	-	-
Interests in net losses of AMCK	(968)	-
Balance – end of period	<u>(968)</u>	<u>-</u>
Total non-controlling interests – end of period	<u>(1,738)</u>	<u>260</u>
(d) Social development expenditure		
Social development expenses in operating expenses (Kinsevere)	153	743
Total social development expenditure	<u>153</u>	<u>743</u>

NOTES TO THE FINANCIAL STATEMENTS

20. Common shares, share options and share warrants

(a) Equity Accounts

Common Shares	June 30, 2010		June 30, 2009	
	No. of Shares	Amount \$	No. of Shares	Amount \$
Balance – beginning of year	150,353,159	484,722	71,244,578	376,350
Exercise of stock options / warrants ¹	50,000	107	-	-
Share issue	-	-	30,015,000	29,298
Share issue expenses	-	(300)	-	(2,098)
Issue of shares for services	-	-	695,652	719
Shares purchased under ESSIP ²	(442,679)	(1,238)	-	-
Balance – end of period	149,960,480	483,291	101,955,230	404,269
Contributed Surplus				
Balance – beginning of year	-	8,960	-	7,069
Employee stock based compensation recognized	-	382	-	1,106
Transfer to common shares	-	(37)	-	-
Balance – end of period	-	9,305	-	8,175
Warrants (refer note 19(c))	-	16,665	-	-
Equity Accounts	149,960,480	509,261	101,955,230	412,444

1. During the six months ended June 30, 2010, 50,000 employee stock options were exercised over common shares (December 31, 2009: no employee stock options or warrants were exercised over common shares).
2. The Group established an Executive and Senior Staff Incentive Plan ("ESSIP") in July 2008. The ESSIP provides for a variable component of incentive based compensation to be paid in the form of shares in the Group, with any award directly related to the performance of the Group and its business units as well as the achievement of safety and environment objectives and individual performance objectives. The Nomination, Compensation and Corporate Governance Committee (the "NC&CGC") is responsible for setting the relevant performance objectives.

A trust (the "Trust") has been established to manage the share component of the incentive awards. The Group funds the Trust and the Trust is empowered to purchase common shares of Anvil on the TSX or ASX, with such shares only allocated to ESSIP participants on the passing of a resolution by the NC&CGC that the relevant performance objectives have been achieved.

No awards were paid under the ESSIP in 2008 and the ESSIP was suspended during 2009, only recommencing operation in May 2010. The decision to recommence operation of the ESSIP required the acquisition of shares in the Group by the Trust in order to meet any award obligations for the year ended December 31, 2010.

(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 June 30, 2010, the Company is able to issue an additional 10,580,930 (June 30, 2009: 5,618,878) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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

Canadian Dollar based options

Risk free interest rate:	3.0%
Expected life:	57 months
Expected volatility:	85.7%
Expected dividend yield:	0%

During the six months ended June 30, 2010, 225,000 stock options with an exercise price of C\$3.27 each, with a total fair value of \$0.39 million were issued to non-executive directors pursuant to the terms of the Plan. During the six months ended June 30, 2009, 550,000 stock options with an exercise price ranging from C\$1.27 to C\$1.35 each, with a total fair value of \$0.52 million were granted to non-executive directors as compensation for special committee work in relation to capital restructuring. In addition, during the six months ended June 30, 2009, 250,000 stock options with an exercise price ranging from C\$1.16 to C\$1.35 each, with a fair value of \$0.28 million were issued to non-executive directors pursuant to the terms of the Plan.

During the six months ended June 30, 2010, there was no issue of stock options to employees, however 50,000 stock options were exercised. During the six months ended June 30, 2009, 2,030,000 stock options with an exercise price of C\$1.35 each, with a total fair value of \$1.37 million were issued to employees under the Plan and no employee stock options were exercised. During the six months ended June 30, 2009, 579,330 options were cancelled.

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 date on which stock options are granted.

The stock option expense for the six months ended June, 2010 amounted to \$0.38 million (six months ended June 30, 2009: \$1.11 million). At June 30, 2010, the aggregate fair value of unvested stock options remaining to be charged to income amounted to \$0.51 million (June 30, 2009: \$1.79 million).

	June 30, 2010		June 30, 2009	
	No. of Shares	Weighted Average Exercise Price	No. of Shares	Weighted Average Exercise Price
Outstanding stock options				
Canadian Dollar based options ¹				
Outstanding at beginning of year	4,284,385	C\$10.49	2,325,975	C\$8.39
Granted under plan	225,000	C\$3.27	2,830,000	C\$1.35
Exercised	(50,000)	C\$1.35	-	-
Expired and forfeited	-	-	(579,330)	C\$7.29
Outstanding at the end of the period	4,459,385	C\$3.74	4,576,645	C\$4.25
Options vested and outstanding at the end of the period	4,132,399	C\$3.98	1,931,111	C\$4.21

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

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes information about stock options outstanding at June 30, 2010:

Range of exercise prices	Options outstanding			Options exercisable		
	No. of stock options outstanding at June 30, 2010	Weighted average of remaining contractual life (months)	Weighted average exercise price	No. of stock options vested and outstanding at June 30, 2010	Weighted average of remaining contractual life (months)	Weighted average exercise price
C\$1.16-C\$1.60	2,540,000	31	C\$1.35	2,540,000	31	C\$1.35
C\$3.27	225,000	72	C\$3.27	-	-	-
C\$3.80	320,000	11	C\$3.80	320,000	11	C\$3.80
C\$4.25-C\$4.66	150,000	1	C\$4.27	150,000	1	C\$4.27
C\$7.06	194,334	21	C\$7.06	194,334	21	C\$7.06
C\$9.41	600,000	26	C\$9.41	600,000	26	C\$9.41
C\$11.06-C\$11.84	50,000	29	C\$11.28	33,333	29	C\$11.28
C\$12.04-C\$12.43	230,958	40	C\$12.26	178,972	39	C\$12.23
C\$13.09	100,000	44	C\$10.67	66,667	44	C\$10.67
C\$14.06	49,093	33	C\$14.06	49,093	33	C\$14.06
Total	4,459,385	30	C\$3.74	4,132,399	28	C\$3.98

(c) Warrants

Warrants to purchase Common Shares that have been granted were as follows:

	Number of warrants	Exercise Price	Amount \$
Balance at December 31, 2009 and June 30, 2010	11,228,320	C\$2.75	16,665

21. 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.

(b) Kinsevere mine

The outstanding capital commitments of the Kinsevere mine contracted for as at June 30, 2010 were \$91.8 million (December 31, 2009 - \$13.7 million).

(c) 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 June 30, 2010 the amount to be repatriated was nil (December 31, 2009: \$4.4 million).

22. Segment information

The Group's reportable operating segments are strategic business units that produce different but related products or services. Each business unit is managed separately because each requires different technology and marketing strategies.

Kinsevere

The Group holds a beneficial interest of 95% in the Kinsevere operation located in the Katanga province of the DRC. The Stage I HMS plant was commissioned in June 2007 and produces an oxide copper concentrate. The 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.

NOTES TO THE FINANCIAL STATEMENTS

Mutoshi

The Group holds a beneficial interest of 70% in 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. Gécamines holds the remaining 30% interest in SMK on a non-dilutable basis.

CDA

The corporate development, administration and other segment accounts for the evaluation and acquisition of new mineral properties, regulatory reporting and corporate administration. 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 three months and six months ended June 30, 2010, segmented information is presented as follows:

3 Months ended June 30, 2010					
	Kinsevere	Mutoshi	CDA	Inter-segment	Total
Sales	13,689	840	-	-	14,529
Operating expenses	(7,928)	(1,105)	349	-	(8,684)
Amortization	(3,716)	(309)	(211)	-	(4,236)
Segmented operating (loss) / profit	2,045	(574)	138	-	1,609
Interest expense and financing fees	(15,799)	(135)	(171)	15,580	(525)
Loss on derivative instruments	(757)	-	-	-	(757)
Write back of provision for impairment	-	-	3,905	-	3,905
Other income	22	-	18,971	(18,593)	400
Exploration expenditure written off	-	(880)	(435)	-	(1,315)
Other expenses	(3,833)	(881)	(2,171)	3,013	(3,872)
Segmented (loss) / profit before under noted items	(18,322)	(2,470)	20,237	-	(555)
Income taxes recovery / (expense)	4,488	-	(74)	-	4,414
Non-controlling interest	564	634	-	-	1,198
Segmented (loss) / profit from continuing operations	(13,270)	(1,836)	20,163	-	5,057
Gain on sale of discontinued operation	-	-	5,911	-	5,911
Segmented (loss) / profit	(13,270)	(1,836)	26,074	-	10,968
Property, plant and equipment	394,741	9,641	4,745	-	409,127
Total assets	504,931	52,822	76,070	-	633,823
Capital expenditures	(23,492)	-	-	-	(23,492)

3 Months ended June 30, 2009						
	Kinsevere	Dikulushi	Mutoshi	CDA	Inter-segment	Total
Sales	9,306	(1,443)	(125)	-	-	7,738
Operating expenses	(9,473)	(1,236)	(355)	(307)	-	(11,371)
Amortization	(2,821)	(208)	(402)	(601)	-	(4,032)
Segmented operating (loss) / profit	(2,988)	(2,887)	(882)	(908)	-	(7,665)
Interest and financing fees	(203)	-	(694)	(67)	684	(280)
Other income	1	-	(52)	2,792	(2,616)	125
Other expenses	(1,944)	(11)	1	(5,509)	1,932	(5,531)
Segmented (loss) / profit before under noted items	(5,314)	(2,898)	(1,627)	(3,692)	-	(13,351)
Income taxes recovery / (expense)	1,730	-	-	(38)	-	1,692
Non-controlling interest	-	310	-	-	-	310
Segmented (loss) / profit	(3,404)	(2,588)	(1,627)	(3,730)	-	(11,349)
Property, plant and equipment	297,796	4,391	11,107	6,826	-	320,120
Total assets	401,769	8,759	41,711	70,593	-	522,832
Capital expenditures	(9,166)	(627)	-	144	-	(9,649)

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

NOTES TO THE FINANCIAL STATEMENTS

	6 Months ended June 30, 2010				
	Kinsevere	Mutoshi	CDA	Inter-segment	Total
Sales	29,110	905	-	-	30,015
Operating expenses	(14,705)	(1,543)	103	-	(16,145)
Amortization	(7,713)	(642)	(611)	-	(8,966)
Segmented operating (loss) / profit	6,692	(1,280)	(508)	-	4,904
Interest expense and financing fees	(29,656)	(269)	(354)	29,219	(1,060)
Loss on derivative instruments	(409)	-	-	-	(409)
Write back of provision for impairment	-	-	4,809	-	4,809
Other income	26	84	36,187	(35,151)	1,146
Exploration expenditure written off	-	(880)	(435)	-	(1,315)
Other expenses	(6,389)	(881)	(4,840)	5,932	(6,178)
Segmented (loss) / profit before under noted items	(29,736)	(3,226)	34,859	-	1,897
Income taxes recovery / (expense)	8,020	-	(9)	-	8,011
Non-controlling interest	969	769	-	-	1,738
Segmented (loss) / profit from continuing operations	(20,747)	(2,457)	34,850	-	11,646
Loss from discontinued operation	-	-	(107)	-	(107)
Gain on sale of discontinued operation	-	-	5,911	-	5,911
Segmented (loss) / profit	(20,747)	(2,457)	40,654	-	17,450
Property, plant and equipment	394,741	9,641	4,745	-	409,127
Total assets	504,931	52,822	76,070	-	633,823
Capital expenditures	(56,990)	-	(31)	-	(57,021)

	6 Months ended June 30, 2009					
	Kinsevere	Dikulushi	Mutoshi	CDA	Inter-segment	Total
Sales	8,421	1,798	(835)	-	-	9,384
Operating expenses	(15,444)	(4,163)	(52)	(4,164)	-	(23,823)
Amortization	(5,730)	(417)	(677)	(873)	-	(7,697)
Segmented operating (loss) / profit	(12,753)	(2,782)	(1,564)	(5,037)	-	(22,136)
Interest and financing fees	(407)	-	(1,413)	(91)	1,393	(518)
Other income	4	11	(77)	4,162	(3,654)	446
Other expenses	(2,398)	(317)	(79)	(13,029)	2,261	(13,562)
Segmented (loss) / profit before under noted items	(15,554)	(3,088)	(3,133)	(13,995)	-	(35,770)
Income taxes recovery / (expense)	5,192	(3)	-	45	-	5,234
Non-controlling interest	-	354	-	-	-	354
Segmented (loss) / profit	(10,362)	(2,737)	(3,133)	(13,950)	-	(30,182)
Property, plant and equipment	297,796	4,391	11,107	6,826	-	320,120
Total assets	401,769	8,759	41,711	70,593	-	522,832
Capital expenditures	(25,588)	(1,136)	(525)	(48)	-	(27,297)

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

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The operations in DRC comprise i) the Kinsevere copper mine, which is currently operating an HMS plant, ii) the Mutoshi copper mine, which has ceased operating the HMS plant and is currently under care and maintenance, and iii) exploration on tenements held in the DRC. The Group's Australia and Canada segment carry all corporate activity costs.

All material assets comprising property, plant and equipment, associated inventories and other current assets relate primarily to the Kinsevere and Mutoshi mines. The total assets located by geographic areas are as follows:

	June 30 2010	December 31 2009
	\$	\$
Total assets – Geographical reporting		
Democratic Republic of Congo	557,753	523,701
Zambia	-	712
Australia ¹	28,251	66,524
Canada ¹	47,819	23,301
	633,823	614,238

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

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:

	3 Months Ended June 30		6 Months Ended June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Revenues – Geographical reporting				
Democratic Republic of Congo	14,529	7,738	30,015	9,384

23. Earnings / (loss) per share

Basic & diluted profit / (loss) per share	0.03	(0.13)	0.08	(0.37)
Weighted average number of ordinary shares outstanding - basic earnings per share	150,324,384	90,144,561	150,344,486	80,746,780
Weighted average number of ordinary shares outstanding - diluted earnings per share	154,159,389	90,144,561	154,328,375	80,746,780

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

	3 Months Ended June 30, 2010		
	Profit \$	No. of Shares	\$ per share amount
Basic profit per share from continuing operations			
Profit available to shareholders	5,057	150,324,384	0.03
Diluted profit per share from continuing operations			
Profit available to shareholders	5,057	154,159,389	0.03
	3 Months Ended June 30, 2009		
	Loss \$	No. of Shares	\$ per share amount
Basic and diluted loss per share			
Loss available to shareholders	(11,349)	90,144,561	(0.13)

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

NOTES TO THE FINANCIAL STATEMENTS

	6 Months Ended June 30, 2010		
	Profit \$	No. of Shares	\$ per share amount
Basic profit per share from continuing operations			
Profit available to shareholders	11,646	150,344,486	0.08
Diluted profit per share from continuing operations			
Profit available to shareholders	11,646	154,328,375	0.08

	6 Months Ended June 30, 2009		
	Loss \$	No. of Shares	\$ per share amount
Basic and diluted loss per share from continuing operations			
Profit available to shareholders	(30,182)	80,746,780	(0.37)

	3 Months Ended June 30		6 Months Ended June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
24. Supplementary cash flow information				
(a) Changes to non-cash working capital				
Accounts receivable	544	3,394	7,123	15,042
Inventories	3,819	5,030	1,335	7,101
Prepaid expenses and deposits	(598)	(982)	(1,771)	(161)
Accounts payable and accrued liabilities	362	(6,226)	(6,761)	(9,428)
Income taxes	-	-	49	(48)
Other liabilities	(547)	(191)	(1,373)	(700)
	3,580	1,025	(1,398)	11,806
(b) Other information				
Interest and financing fees paid	-	(6)	-	(13)
Interest received	543	177	843	487
Income tax paid	-	-	-	(48)

25. Related Parties

As at August 13, 2010, Trafigura is the beneficial owner of 53,248,729 Common Shares, representing 35.4% of the issued and outstanding Common Shares. During the June quarter, the Company entered into transactions with Trafigura for the sale of copper concentrates, the provision of technical services and the supply of fuel to Kinsevere, all of which were on commercial terms.

In January 2010, the Company entered into contracts with Trafigura, under which it agreed to sell its 2010 forecast production. The Sales Contracts are on standard commercial terms for comparable sales contracts. Sales of concentrate to Trafigura of \$14.4 million were recorded as revenue during the second quarter of 2010. As at June 30, 2010, Trafigura owed the Company \$5.1 million which is recorded as accounts receivables.

In November 2009, the Company entered into a technical services agreement to address all material technical issues relating to the development of Kinsevere Stage II. The Technical Committee makes recommendations to the Anvil board of directors (the "Anvil Board") and can take appropriate and additional steps to promote and safeguard Kinsevere Stage II. The Technical Committee (upon approval of the Anvil Board) may appoint Trafigura, on a case-by-case basis, to provide services related to project management support, data processing, technical services support, coordination and consulting at Kinsevere Stage II. Where Trafigura is unable or unavailable to perform any services which it has been appointed to provide to Anvil or AMCK, Trafigura may engage independent contractors to provide such services. During the June quarter, the Company did not incur any costs in connection with the provision of such technical services.

NOTES TO THE FINANCIAL STATEMENTS

Trafigura is also one of several fuel suppliers from whom the Company obtains quotations for the supply of fuel to Kinsevere and during the year the Company purchased from Trafigura, fuel for its Kinsevere mine, valued at \$1.1 million.