

Anvil Mining Limited

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

Anvil Mining Limited

Consolidated Financial Statements

As at and for the year ended December 31, 2010

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 Mining Limited (the "Company"), 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 management's 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 auditor's 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 Australia, 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) Philippe Monier

Vice President Corporate and Chief Financial Officer

March 17, 2011

Independent Auditors' Report

To the Shareholders of Anvil Mining Limited

We have audited the accompanying consolidated financial statements of Anvil Mining Limited and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statement of income and comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for each of the years then ended and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anvil Mining Limited and its subsidiaries as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers

March 17, 2011
Perth

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

Consolidated Balance Sheet

	Notes	December 31 2010 \$	December 31 2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	11	56,415	120,753
Restricted cash	12	7,314	-
Trade and other receivables	13	10,764	17,967
Inventories	14	14,060	14,220
Available-for-sale investments	15	-	1,243
Prepaid expenses and deposits	16	2,224	25,899
Current assets classified as held for sale	7	-	2,114
Derivative financial instruments		182	-
		90,959	182,196
Non-current assets			
Restricted cash	12	513	887
Equity accounted investment	17	11,927	-
Available-for-sale investments	15	-	16,827
Deferred financing fees	9	-	2,865
Long-term inventory	14	13,109	11,163
Long-term receivable	18	14,253	15,468
Exploration and acquisition expenditure	19	61,411	62,384
Property, plant and equipment	20	482,570	324,562
Non-current assets classified as held for sale	7	1,204	5,156
		584,987	439,312
Total assets		675,946	621,508
LIABILITIES			
Current liabilities			
Trade and other payables	21	29,508	12,037
Derivative financial instrument		-	586
Income taxes payable		21	6
Provisions		2,634	1,712
Current portion of long-term debt	22	4,649	290
Current portion of liabilities directly associated with non-current assets classified as held for sale	7	-	1,764
		36,812	16,395
Non-current liabilities			
Future income tax liability	8	10,751	21,048
Other non-current liabilities	10	-	6,711
Provisions		144	-
Long-term debt	22	31,829	74
Asset retirement obligations	23	13,394	12,858
Non-current portion of liabilities directly associated with non-current assets classified as held for sale	7	-	983
		56,118	41,674
Total liabilities		92,930	58,069
Net assets		583,016	563,439

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

Consolidated Balance Sheet

	Notes	December 31 2010 \$	December 31 2009 \$
Shareholders' equity			
Equity accounts	25	510,289	510,347
Retained earnings		75,054	50,067
Accumulated other comprehensive income		559	2,765
Capital and reserves attributable to equity holders		585,902	563,179
Non-controlling interest	24	(2,886)	260
Total equity		583,016	563,439
Nature of operations	1		
Commitments	26		
Subsequent events	30		

Approved by the Board of Directors**(Signed) William S. Turner**

March 17, 2011

(Signed) 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	
		2010	2009
		\$	\$
Revenue from continuing operations		60,149	49,235
Operating expenses		(33,290)	(39,779)
Amortization		(18,111)	(16,480)
		8,748	(7,024)
Other income	5	7,149	1,322
Provision for impairment of assets	5	-	(2,876)
Write back of provision for impairment of assets	5	9,688	4,052
Gain / (loss) on derivative instrument	6	768	(586)
Share of loss in equity accounted investment	17	(533)	-
General, administrative and marketing		(12,607)	(10,067)
Exploration expenditure written off	5	(1,315)	(3,225)
Foreign exchange gains		2,499	461
Stock based compensation	25	(855)	(1,891)
Interest and financing fees	5	(2,427)	(1,140)
Other expenses	5	(3,250)	-
Income / (loss) before income tax and non-controlling interest		7,865	(20,974)
Income tax benefit	8	9,221	3,299
Non-controlling interest share of loss		2,886	-
Net income / (loss) from continuing operations		19,972	(17,675)
Loss from discontinued operation before non-controlling interest share of loss	7	(896)	(3,651)
Non-controlling interest share of loss		-	406
Gain on sale of discontinued operations	7	5,911	-
Net income / (loss)		24,987	(20,920)
Other comprehensive income, net of taxes			
Net unrealized gains on available-for-sale investments		-	2,206
Total comprehensive income / (loss)		24,987	(18,714)
Profit / (loss) per share from continuing operations:			
Basic profit / (loss) per share (\$)	28	0.13	(0.18)
Diluted profit / (loss) per share (\$)	28	0.13	(0.18)
Profit / (loss) per share:			
Basic profit / (loss) per share (\$)		0.17	(0.22)
Diluted profit / (loss) per share (\$)		0.16	(0.22)

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 Changes In Shareholders' Equity

	Notes	Year Ended December 31	
		2010	2009
		\$	\$
Common shares			
Balance at beginning of period		484,722	376,350
Exercise of stock options		1,049	-
Share issue		-	113,353
Share issue expenses		(322)	(4,981)
Shares purchased under Executive and Senior Staff Incentive Plan ("ESSIP")		(1,238)	-
Balance at end of period	25	484,211	484,722
Contributed surplus			
Balance at beginning of period		8,960	7,069
Employee stock based compensation recognized		855	1,891
Transfer to common shares		(402)	-
Balance at end of period	25	9,413	8,960
Warrants			
Balance at beginning of period		16,665	-
Fair value of warrants issued		-	16,665
Balance at end of period	25	16,665	16,665
Equity accounts		510,289	510,347
Retained earnings			
Balance at beginning of period		50,067	70,987
Net income / (loss) for the period		24,987	(20,920)
Balance at end of period		75,054	50,067
Accumulated other comprehensive income			
Balance at beginning of period		2,765	559
Net unrealized gains on available-for-sale investments		-	2,206
Reversal of net unrealised gains on sale of available-for sale investments		(2,206)	-
Balance at end of period		559	2,765
Shareholders' equity at end of period		585,902	563,179

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	
		2010	2009
		\$	\$
Cash flows from operating activities			
Net income / (loss) for the period from continuing operations		19,972	(17,675)
Items not affecting cash:			
- Amortization		18,111	16,480
- Provision for impairment of assets	5	-	2,876
- Write back of provision for impairment of assets	5	(9,688)	(4,052)
- (Gain) / loss on derivative instrument	6	(768)	586
- Non-cash finance costs		1,411	983
- Provision for doubtful debts		450	-
- Exploration expenditure written off		1,315	3,225
- Share of loss in equity accounted investment		533	-
- Gain on sale of assets		-	(207)
- Gain on sale of available-for-sale investments		(4,719)	-
- Non-controlling interest share of loss		(2,886)	-
- Unrealized foreign exchange loss		1,910	113
- Future income tax	8	(10,297)	(3,382)
- Stock based compensation		855	1,891
Changes in non-cash working capital	29	1,466	4,468
		17,665	5,306
Cash flows from investing activities			
Payments for property, plant and equipment		(138,934)	(49,313)
Payment as security deposit		(6,550)	-
Proceeds from sale of assets		-	869
Payments for exploration expenditure		(639)	(9,967)
Proceeds from sale of available-for-sale investments		30,077	-
Proceeds of principal repayments from investments		235	12,790
		(115,811)	(45,621)
Cash flows from financing activities			
Proceeds from issue of shares & warrants (net of issue expenses)		325	124,317
Deferred financing fees		(6,067)	(2,865)
Movement in restricted cash		(334)	(267)
Proceeds from borrowings		42,000	-
Shares purchased under ESSIP		(1,238)	-
Repayments of borrowings		(188)	(319)
		34,498	120,866
Cash flows from discontinued operations			
Cash flows from operating activities		(896)	(3,140)
Cash flows from investing activities		-	65
Cash flows from financing activities		-	(1,417)
Net decrease in cash and cash equivalents from discontinued operations		(896)	(4,492)

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

	Notes	Year Ended December 31	
		2010	2009
		\$	\$
Net (decrease) / increase in cash and cash equivalents		(64,544)	76,059
Cash and cash equivalents at beginning of the period		120,753	45,033
Effects of exchange rate changes on cash held in foreign currencies		206	142
Total cash and cash equivalents at end of the period		56,415	121,234
Less cash and cash equivalents at the end of the period relating to discontinued operations	7	-	(481)
Cash and cash equivalents at the end of the period for continuing operations	11	56,415	120,753

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 the “Group” or “Anvil”) main activities involve 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 Kulu copper mine and associated exploration tenements (the “Mutoshi project”) and other exploration tenements situated in the Democratic Republic of Congo (“DRC”).

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 and all of its subsidiaries. The subsidiaries include those entities that are controlled by the parent entity (being Anvil). 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 starts until the date control ends. 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 used in impairment calculations and units-of-production 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(t).

(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) Income Tax

The group is subject to income taxes in Canada and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes and the assessment of uncertain tax positions. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group’s understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

In addition, the group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be used. However, utilisation of the tax losses also depends on the ability of the entity to satisfy whether it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

(v) Cost of Equity Accounted Investment

The valuation basis of the equity accounted investment not traded in an active market is determined by Independent Experts, appointed by the associate, using various valuation techniques in order to determine the fairness and reasonableness value of the shares acquired at the time of negotiations.

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 Kinsevere and Mutoshi projects 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 and measurement

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 current or non-current assets, where this most appropriately reflects the period of restriction.

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 2(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.

Receivables with maturities greater than 12 months after the reporting period are classified as non-current assets. Receivables are included in long-term receivables (note 18) in the balance sheet.

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'.

NOTES TO THE FINANCIAL STATEMENTS

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.

i) Transaction and borrowing costs*(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 using the effective interest method, on its drawdown (see note 2(m)). 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.

(ii) Borrowing costs

Interest and financing fees are recognized as expenses in the year in which they are incurred, except where they are included in the cost of qualifying assets. Interest and financing fees incurred in direct connection with financing a qualifying asset are included in the cost of the qualifying asset.

j) Deferred mining costs

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

When further development expenditure is incurred in respect of a mine property after the start 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

NOTES TO THE FINANCIAL STATEMENTS

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 seven years, depending on the nature of the asset

Major spares purchased specifically for particular plant are capitalized and amortized on the same basis as the plant to which they relate.

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. 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) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

n) 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.

o) Income tax

The Group accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using tax rates expected to be recovered or settled. 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.

p) Earnings / (loss) per share

The Group follows the "treasury stock" method in calculating diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued, assuming "in the money" options 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.

q) Stock-based compensation

The Group accounts for stock options granted to employees and directors using the fair value method. For option awards, fair value is measured at the grant date using a Black-Schöles 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.

r) Investments*(i) Available-for-sale investments*

Investment in marketable securities are classified as available-for-sale and recorded at fair value. Investment transactions are 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

NOTES TO THE FINANCIAL STATEMENTS

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.

(ii) Equity accounted investments

Investments in which the Group has significant influence but does not have control are accounted for using the equity method. Under the equity method the investment is initially recorded at cost and the carrying value is adjusted thereafter, quarterly 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 (where available), 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.

s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost.

t) 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.

u) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated 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 25 (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.

NOTES TO THE FINANCIAL STATEMENTS

v) 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, no derivative financial instruments qualify for hedge accounting.

w) Future changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly-listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Group's first consolidated financial statements presented in accordance with IFRS will be for the three month period ending March 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS; as well as reconciliation to Canadian GAAP for the comparative quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

3. Financial Risk Management

The Group's activities are exposed to a variety of financial risks, which include foreign exchange risk against its functional currency, commodity price risk, and interest rate risk, credit and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. 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 for hedging purposes only and not for speculative activities and are subject to the oversight of the Board of Directors (the "Board").

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 and, aging analysis for credit risk.

The Group holds the following financial instruments as at December 31, 2010:

	December 31 2010	December 31 2009
	\$	\$
Financial assets		
Cash and cash equivalents	56,415	120,753
Restricted cash	7,827	887
Trade and other receivables	10,764	17,967
Available-for-sale investments: Current	-	1,243
Available-for-sale investments: Non-current	-	16,827
Derivative financial instrument	182	-
Long-term receivable	14,253	15,468
	89,441	173,145
Financial liabilities		
Trade and other payables	29,508	12,037
Derivative financial instrument	-	586
Long-term borrowings (including current portion)	36,478	364
Other non-current liability	-	6,711
	65,986	19,698

(a) Market Risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures against its functional currency.

Foreign exchange risk arises from commercial transactions and recognized assets and liabilities denominated in a currency that is not the Group's functional currency.

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

NOTES TO THE FINANCIAL STATEMENTS

The Group reviews its exposure to non-US dollar operating costs on a case by case basis. Revenue from copper sales is denominated in US Dollars, as is the majority of the Group's operating costs. The risk is measured using sensitivity analysis and cash flow forecasting.

During 2010 the Group entered into a number of forward exchange contracts with BNP Paribas between Australian dollars and US dollars and as at December 31, 2010 had two remaining forward contracts for AUD\$812,123 and AUD\$511,096 at AUD/USD exchange rates 0.8835 and 0.8800 respectively expiring on January 25, 2011 and February 25, 2011 respectively.

As at December 31, 2010 the Group's carrying value of its foreign currency denominated monetary assets and liabilities were as follows:

		December 31 2010	December 31 2010	December 31 2009	December 31 2009
	CCY	Assets	Liabilities	Assets	Liabilities
		\$	\$	\$	\$
Australian Dollar	AUD	5,926	(1,339)	811	(831)
South African Rand	ZAR	445	(934)	362	-
Canadian Dollars	CAD	655	(1,229)	594	(140)
Congolese Francs	CDF	-	(987)	-	(784)
Balance sheet carrying value		7,026	(4,489)	1,767	(1,755)

Sensitivity

Based upon the above carrying values as at December 31, 2010, with other variables unchanged, had the US Dollar weakened / strengthened by 10% against these foreign currencies the Group's after tax gain / loss would have been \$1.3 million / \$(1.6) million (2009: \$0.4 / \$(0.5) million) as a result of foreign exchange gains / losses on translation of non-US dollar denominated balances as detailed above.

(ii) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group is primarily exposed to commodity price risk arising from revenue derived from future copper sales.

The Group's commodity price risk associated with financial instrument relates primarily to changes in fair value caused by settlement adjustments to receivables.

As at December 31, 2010, the Group had no outstanding derivative instruments in relation to the copper price risk and provisional copper-concentrate sale contracts of 613 tonnes of payable copper with an average provisional price of \$9,095 per tonne.

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 was not exposed to commodity price risk on those receivables at year ended December 31, 2009

Sensitivity

As at December 31, 2010, if the spot price of copper had been 10% higher/lower while all other variables were held constant the Group's after tax loss for the December 2010 sales would increase/decrease by \$0.4 million (2009: nil).

For details on the commodity price risk and the use of derivatives to manage such risk, refer to Note 6.

(iii) Interest rate risk

The Company's main interest rate risk mainly arises from medium to long-term borrowings. Borrowings subject to variable rates expose the Group to cash flow volatility.

The Group's main interest rate risk arises from its long-term debt in the form of a Project Loan Facility and short-term deposits, with the Group holding significant cash and long-term debt balances.

The Group's long-term debt relates to a project loan facility that bears interest at a fixed margin over the three-month USD London Interbank Offered Rate (LIBOR) and its interest rate risk is entirely related to the volatility of the LIBOR over the life of the debt. As at December 31, 2010 the principal amount of long-term debt was \$42 million (2009: nil).

The Group's current policy is to invest excess cash in short-term deposits with major international banks. The Group periodically monitors the cash deposits it makes and is satisfied with the credit rating of its banks. As at December 31, 2010 the cash and short term-deposits were \$56.4 million (2009: \$120.8 million).

NOTES TO THE FINANCIAL STATEMENTS*Sensitivity*

As at December 31, 2010, with other variables unchanged, a plus or minus 1% change in interest and LIBOR rates, on the Group's cash and long-term debt respectively would have a net affect effect on after tax income by plus or minus \$0.1 million (2009: \$1.2 million) for the year as a result of lower/higher interest income from cash offset by the interest payable on the long-term debt.

(b) 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 is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments. Other techniques, such as estimated discounted cash flows, are used to determine fair value of the remaining financial instruments. During 2010, the available-for-sale debt investments were 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.

Equity backed securities:

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.

December 31, 2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Total Assets	-	-	-	-
Liabilities:				
Derivative financial instrument	-	182	-	182
Total Liabilities	-	182	-	182

December 31, 2009	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
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

NOTES TO THE FINANCIAL STATEMENTS**(c) 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 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. Credit risk is managed as noted in Notes 11(a) and 13 (a) and 13 (d) with respect to cash and receivables 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, 2010 and 2009 is the carrying value of its trade receivables.

Concentrate produced at the Group's Kinsevere mine is sold to Trafigura. Provisional payments are normally received within seven days of delivery, with majority of final settlement within one month following the date of shipment.

(d) Liquidity risk

As at December 31, 2010 the Company had \$56.4 million in cash (2009: \$120.7 million), nil available-for-sale investments (2009: \$18.1 million), \$10.8 million in trade receivables (2009: \$17.9 million) and \$36.5 million in long-term debt (2009: \$0.4 million).

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.

As at December 31, 2010 \$58.0 million (2009: \$100 million) of the commitment available under the Project Loan Facility remained undrawn.

(e) Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the period remaining to the contractual maturity date at December 31, 2010. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities as at December 31, 2010.

	Accounts Payable & Accruals¹	Long Term Debt²	Total
	\$	\$	\$
Within one year	29,508	8,372	37,880
In one to two years	-	12,563	12,563
In two to five years	-	28,397	28,397
	29,508	49,332	78,840

1. The Accounts payable balance includes a *Pas de Porte* (entry premium) payable to La Générale des Carrières et des Mines ("Gécamines") in January 2011. This is in relation to Mutoshi.

2. Long term debt includes repayment of the \$42 million based on 12.5% every six months beginning on September 30, 2011 and the fees payable in respect of interest (based on LIBOR at 0.3% plus margin of 4.0%), political risk insurance and loan commitment fees.

NOTES TO THE FINANCIAL STATEMENTS

Financial liabilities as at December 31, 2009.

	Accounts Payable & Accruals¹	Bank Loans	Derivative financial instrument²	Other non-current³	Total
	\$	\$	\$	\$	\$
Within one year	12,037	312	586	-	12,935
In one to two years	-	75	-	7,198	7,273
In two to three years	-	-	-	-	-
	12,037	387	586	7,198	20,208

1. The Accounts payable balance includes a *Pas de Porte* (entry premium) payment of \$5 million that was paid in January 2010 to La Générale des Carrières et des Mines ("Gécamines") in connection with the Group's Kinsevere project.

2. The Group entered into derivative financial instrument to manage its exposure to copper price risk. Further details are disclosed in Note 6.

3. The Other non-current balance includes a *Pas de Porte* (entry premium) payable to Gécamines in January 2011. This is in relation to Mutoshi.

4. Capital risk management

The Group's objectives when managing capital are to:

- Have sufficient capital to develop and maximise returns from the Group's mineral properties;
- Safeguard the Group's ability to construct and commission the SX-EW plant;
- Continue to provide returns for shareholders; and
- Maintain 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.

5 Other revenues / expenses**Other income**

	Year Ended December 31	
	2010	2009
	\$	\$
Interest income	2,181	1,115
Other income	249	207
Gain on sale of available-for-sale-investments	4,719	-
	7,149	1,322

Other expenses

Settlement of termination of contract	3,250	-
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This relates to the settlement of a claim received in December 2010 relating to the termination of a mining contract in 2008 at Kinsevere.

Interest and financing fees

Interest	59	157
Financing costs	956	-
Accretion of asset retirement obligation	1,412	983
	2,427	1,140

NOTES TO THE FINANCIAL STATEMENTS

Included in the financing costs is \$0.7 million in relation to cost incurred in negotiations to re-finance the existing loan facility.

	Year Ended December 31	
	2010	2009
	\$	\$
Provision for impairment		
Relating to equity accounted investments	-	445
Relating to long-lived assets	-	315
Relating to inventory	-	2,116
	-	2,876
Write back of provision for impairment		
Reversal of impairment of AFS debt investments	9,688	4,052

Prior to the sale of the AFS debt investments during the year, a reversal of prior impairments amounting to \$9.7 million had been recognized in the income statement.

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.

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

Provision for impairment relating to long-lived assets

Plant and Equipment

Kinsevere (Electric-Arc Furnace ("EAF"), Heavy Media Separation ("HMS") Plant and Spirals Plant)	-	315
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Provision for impairment relating to inventory (stores and consumables)

Kinsevere (EAF, HMS and Spirals Plant)	-	2,116
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Exploration and acquisition expenditure written offExploration Expenditure ¹

Mutoshi project	882	-
Kinsevere project	292	-
Philippines regional exploration project	-	3,225
Exploration various	141	-
	1,315	3,225

1. Refers to exploration expenditure directly incurred by the Group on its tenements, as part of general exploration activity.

NOTES TO THE FINANCIAL STATEMENTS

6. Derivative financial instruments

	Year Ended December 31	
	2010	2009
	\$	\$
Gain recognised on forward foreign exchange contracts	768	-
Loss recognised on forward copper price contracts – held for trading	-	(586)
	768	(586)

At December 31, 2010, the Group held two forward contacts with BNP Paribas for AUD\$0.8 million at AUD/USD exchange rates of 0.88 expiring in January 25, 2011 and February 25, 2011 respectively.

7. Classified as 'held for sale'

At year end 2010, the Group classified drill rig assets with a net book value of \$1.2 million as 'held for sale' as it intends to dispose of these assets in 2011.

At year end 2009, the Dikulushi mine was classified as a discontinued operation, held for sale, as the Company expected to divest its interest in the Dikulushi mine during 2010. In April 2010, the Group completed the sale of its interest in the Dikulushi mine for a realised gain of \$5.9 million. The after-tax loss of this discontinued operation for the year ended December 31, 2009 was \$3.7 million.

The financial performance, balance sheet, and cash flow information presented are for the 12 months ended December 31, 2010 and 2009.

The carrying amounts of assets and liabilities as at the year ended December 31, 2010 and 2009 were:

	December 31 2010	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	1,204	2,433
	1,204	5,156
Total assets	1,204	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
Non-current liabilities		
Asset retirement obligations	-	983
	-	983
Total liabilities	-	2,747

NOTES TO THE FINANCIAL STATEMENTS

The financial performance for the year was:

	December 31 2010	December 31 2009
	\$	\$
Concentrate sales	-	1,813
Operating expenses	(339)	(4,844)
Amortization	-	(859)
	<hr/>	<hr/>
	(339)	(3,890)
Other income	-	101
Provision for impairment of assets	-	(358)
Foreign exchange gains	-	86
	<hr/>	<hr/>
Loss before income tax and non-controlling interest	(339)	(4,061)
Income tax (expense) / recovery	(557)	410
	<hr/>	<hr/>
Net loss from discontinued operations	(896)	(3,651)
	<hr/>	<hr/>
Loss per share from discontinued operations:		
Basic loss per share (\$)	(0.01)	(0.04)
Diluted loss per share (\$)	(0.01)	(0.04)

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

NOTES TO THE FINANCIAL STATEMENTS

	December 31 2010 \$	December 31 2009 \$
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:		
Income / (Loss) before income tax and non-controlling interest	7,865	(20,974)
Income tax expense / (benefit) at Canadian statutory rates – 29.9% (2009:30.9%)	2,352	(6,481)
Difference in tax rates	(41)	189
Non-deductible expenses	2,802	889
Tax losses not recognized	3,855	2,967
Non – assessable interest income	(16,174)	-
Adjustment in respect of current income tax of previous year	882	-
Reversal of provision for impairment not assessable for tax	(2,897)	(863)
Taxation (benefit)	(9,221)	(3,299)
Comprising:		
- Current income taxes	1,076	84
- Future income taxes	(10,297)	(3,383)
(b) Future Income Tax		
Future income tax liabilities		
Exploration expenditure	10,113	10,078
Mining property	27,966	27,399
Other	126	49
	38,205	37,526
Future income tax assets	(27,454)	(16,478)
Net future income tax liability	10,751	21,048
Future income tax assets		
Non-capital loss carry forwards	50,023	33,460
Inventory, Property, Plant & Equipment and other	(464)	615
	49,559	34,075
Less: Valuation allowance	(22,105)	(17,597)
Less: Deducted from future income tax liabilities	(27,454)	(16,478)
Net future tax asset	-	-

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

- (i) Canada - \$26.1 million (2009 - \$19.9 million) expiring between 2025 and 2029
- (ii) Australia - \$7.0 million (2009 - \$9.4 million) – indefinite
- (iii) DRC - \$133.7 million (2009 - \$91.0 million) – indefinite

A valuation allowance of \$22.1 million (2009 \$17.6 million) has been recorded against the potential income tax benefits of the carried forward losses, as full realization at this time is not considered more likely than not to occur.

NOTES TO THE FINANCIAL STATEMENTS

A misallocation has been identified in 2009 for future income tax liabilities related to exploration expenditure and mining property resulting in an adjustment to increase mining property and to decrease exploration expenditure of \$20.5 million respectively.

The Mutoshi and Kinsevere projects operate under the fiscal regime at the time the DRC Mining Code came into effect in June 2003, under which the applicable DRC Professional income tax rate is 30%.

	December 31 2010	December 31 2009
	\$	\$
9. Deferred financing fees		
Balance at beginning of year	2,865	-
Fees paid during the year – Trafigura	3,554	2,865
Amortization of deferred financing fees	(795)	-
Transferred to Long-Term Debt	(5,624)	-
	<u>-</u>	<u>2,865</u>

Deferred Financing Fees represents costs associated with the Project Loan Facility and include fees and commissions paid to Trafigura, banks, law firms and other professional entities. During 2010, the Group drew down under this facility and the related transaction costs have, in accordance with policy note 2(m), been offset against the amounts drawn down (see note 22).

	December 31 2010	December 31 2009
	\$	\$
10. Other non-current liability		
Balance at beginning of year	6,711	-
Non-current liability incurred during the year	-	6,589
Interest / Accretion expense	487	122
Transferred to current under 'Accounts payable and accrued liabilities'	(7,198)	-
	<u>-</u>	<u>6,711</u>

The \$7.2 million represents the *Pas de Porte* (Entry Premium) payment made to Gécamines in January 2011.

	December 31 2010	December 31 2009
	\$	\$
11. Cash and cash equivalents		
Cash at bank and in hand	30,896	20,000
Deposits at call	25,519	100,753
	<u>56,415</u>	<u>120,753</u>

(a) Credit Risk Exposure

All cash investments are held in transactional bank accounts or on term deposit held with four international banks, each of which carries a Moody's short-term credit rating of A1 or above, providing average interest of 1.1% per annum with maturity tenures of three months or less. The credit risk exposure of the Group in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

NOTES TO THE FINANCIAL STATEMENTS

	December 31 2010 \$	December 31 2009 \$
12. Restricted cash		
Deposits held as security for Kinsevere Stage II project	7,314	-
Mine rehabilitation deposits – non current	513	887
	7,827	887

Deposits held as security for the Kinsevere Stage II project related primarily to cash collateral in connection with security in place under the Stage II engineering, procurement and construction management contract and is on deposit with an international bank. The security guarantees will be released from restricted cash upon the completion of the construction of Kinsevere Stage II.

	December 31 2010 \$	December 31 2009 \$
13. Trade and other receivables		
Trade receivables (net of provision for doubtful debts)	6,116	13,437
Accrued interest income	98	85
Advances to suppliers and contractors	68	1,696
Current portion of long-term receivable – Société Nationale d'Électricité ("SNEL")	2,538	1,033
Receivable from SNEL – Pweto Project	1,091	-
Other	853	1,716
	10,764	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 month following the date of shipment. For the year ended December 31, 2010, the Group derived 100% of its revenues from one major customer, Trafigura. 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 the long-term receivable of \$2.5 million represents the amount receivable from 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. As at December 31, 2010, the current portion of the long term receivable of \$2.5 million was fully performing (2009: \$1.0 million).

(a) Impaired trade receivables

As at December 31, 2010, the Group held no trade receivables which were considered uncollectible (2009: \$7.6 million). The amount of provision for doubtful debts has been determined through 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:

Opening Balance	7,592	7,775
Add: provision for doubtful debts recognized during the year	-	-
Less: provision for doubtful debts written off during the year as uncollectible	(7,592)	(183)
Closing Balance	-	7,592

Changes in the provision for doubtful debts have 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, 2010, trade receivables of \$4.9 million were neither past due nor impaired (2009: \$7.9 million) and \$1.2 million were past due but not impaired (2009: \$5.5 million). The ageing analysis of these past due trade receivables is as follows:

NOTES TO THE FINANCIAL STATEMENTS

	December 31 2010	December 31 2009
	\$	\$
Up to 3 months:	1,191	5,494

(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 2010	December 31 2009
	\$	\$
14. Inventories		
Raw materials and stores – at NRV	1,112	2,309
Ore stockpiles – at cost	25,899	21,485
Concentrate in stockpiles and in transit – at NRV	158	1,589
	27,169	25,383
Less: Non-current (low-grade ore stockpiles) – at cost	(13,109)	(11,163)
Current Portion of Inventory	14,060	14,220

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

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

The available-for-sale investments were sold during November and December 2010 for proceeds of \$30.1 million.

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

NOTES TO THE FINANCIAL STATEMENTS

	December 31 2010 \$	December 31 2009 \$
16. Prepaid expenses and deposits		
Prepayments to creditors and sub-contractors	654	24,471
Prepaid expenses – Other	1,176	1,053
Deposits to suppliers	394	375
	2,224	25,899

17. Equity accounted investment

Name of Company	December 31, 2010			December 31, 2009		
	Ownership interest %	No. of Shares	\$	Ownership interest %	No. of Shares	\$
Mawson West Ltd ("Mawson West")	25	83,070,000	11,927	-	-	-

	December 31 2010 \$	December 31 2009 \$
Movements in carrying amounts		
Opening carrying value in Equity Accounted investment – at cost	-	1,320
Cost of investments acquired during the period	12,460	-
Share of loss	(533)	-
Provision for impairment	-	(445)
Transfer to AFS investments	-	(875)
Carrying value at end of the period	11,927	-

At April 9, 2010 the Group completed the sale to Mawson West of Anvil Mining Congo SARL ("AMC"), 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 the Group were transferred to Mawson West, in consideration for which the Group received 83,070,000 shares in Mawson West, representing 25% of the issued and outstanding shares in Mawson West, on an undiluted basis.

The gain on sale of discontinued operation of \$5.9 million resulted from the share consideration received from Mawson West of \$12.5 million (83,070,000 shares in Mawson West valued at \$0.15 per share), for the Group's 90% interest in Dikulushi mine which had been valued at \$5.6 million. Further costs of \$0.9 million relating to the sale resulted in a net gain on the sale of Dikulushi. The value ascribed to the shares received by the Group as consideration for the sale of AMC to Mawson West was in excess of the share of net assets acquired in Mawson West on acquisition. The Group has ascribed the additional value to exploration assets within the investment.

As at December 31, 2010 the Group accounted for Mawson West's share of loss for the period ending September 30, 2010.

In January 2009, the investment in Sub-Sahara Resources NL ("SBS") was transferred to available-for-sale investments as a result of the Group ceasing to have significant influence over the affairs of SBS. In August 2009, SBS announced a merger with Chalice Gold Mining Limited ("Chalice").

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

NOTES TO THE FINANCIAL STATEMENTS

	December 31 2010 \$	December 31 2009 \$
18. Long-term receivables		
Receivable from Société Nationale d'Électricité ("SNEL") – Ruashi Project	14,253	14,457
Receivable from SNEL – Pweto Project	-	1,011
	14,253	15,468

The Group entered into 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 \$16.8 million for development of this infrastructure. The completion date for the development of the infrastructure was at the end of August 2010, at which time it became the property of SNEL, the Government electricity company of the DRC. The Group's costs incurred in this development will be recovered through a series of monthly repayments over a five-year period that commences six months from completion of the infrastructure development. The receivable from SNEL in regards to the Pweto project has been reclassified as current as it is expected to be collected within the next 12 months. As of December 31, 2010, the long-term receivable of \$14.3 million was fully performing and not impaired.

	December 31 2010 \$	December 31 2009 \$
19. Exploration and acquisition expenditure		
Exploration and acquisition expenditure at beginning of period	62,385	51,352
Expenditure incurred ³	341	14,257
Expenditure written off	(1,315)	(3,225)
Exploration and acquisition expenditure at end of period	61,411	62,384
Exploration expenditure per area of interest ¹		
- Kinsevere projects	20,225	20,182
- Mutoshi projects	12,897	13,779
- Other exploration projects	27	161
	33,149	34,122
Acquisition expenditure per area of interest ²		
- Mutoshi projects ³	28,262	28,262
	61,411	62,384
Total exploration and acquisition expenditure per area of interest		
- Kinsevere projects	20,224	20,182
- Mutoshi projects ³	41,160	42,041
- Other exploration projects	27	161
	61,411	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 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.

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2010		
	Cost	Accumulated depletion, amortization and write- down	Net book value
	\$	\$	\$
20. Property, plant and equipment			
Kinsevere ¹			
Land and buildings	6,125	(2,657)	3,468
Plant and equipment	74,365	(64,098)	10,267
Mine property	128,946	(23,309)	105,637
Capital work in progress ²	350,063	-	350,063
	<u>559,499</u>	<u>(90,064)</u>	<u>469,435</u>
Mutoshi ³			
Land and buildings	2,270	(730)	1,540
Plant and equipment	6,935	(6,935)	-
Mine property	11,138	(8,108)	3,030
Capital work in progress	4,638	-	4,638
	<u>24,981</u>	<u>(15,773)</u>	<u>9,208</u>
Services ⁴			
Land and buildings	2,022	(582)	1,440
Plant and equipment	2,233	(1,477)	756
	<u>4,255</u>	<u>(2,059)</u>	<u>2,196</u>
Corporate and other ⁵	4,401	(2,670)	1,731
	<u>593,136</u>	<u>(110,566)</u>	<u>482,570</u>

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 land and buildings, plant and equipment located at Kinsevere in the DRC. This includes the \$15 million premium payment to Gécamines in relation to the DRC Government review of mining agreements.
2. Capital work in progress at Kinsevere includes \$2.6 million capitalised borrowing costs.
3. The Mutoshi land and buildings, property, plant and equipment includes all land and buildings, plant and equipment related to Mutoshi Stage I HMS plant, located at Kolwezi in the DRC.
4. The Services land and buildings, plant and equipment includes all land and buildings, 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 and North America.

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2009		
	Cost	Accumulated depletion, amortization and write- down	Net book value
	\$	\$	\$
20. Property, plant and equipment (continued)			
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

- 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 land and buildings, plant and equipment located at Kinsevere in the DRC. This includes the \$15 million premium payment for Gécamines in relation to the DRC Government review of mining agreements.
- The Mutoshi land and buildings, property, plant and equipment includes all land and buildings, plant and equipment related to Mutoshi Stage I HMS plant, located at Kolwezi in the DRC.
- The Services land and buildings, plant and equipment includes all land and buildings, plant and equipment at Lubumbashi in the DRC or used in the drilling, development, logistics and administrative services operations in the DRC.
- The Corporate and other assets are all located in Australia and North America.
- The asset held as 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

	December 31 2010	December 31 2009
	\$	\$
21. Trade and other payables		
Trade creditors	9,114	7,701
Due to Gécamines	7,198	-
Creditor and other accruals	13,196	4,336
	29,508	12,037
	December 31 2010	December 31 2009
	\$	\$
22. Long-Term Debt		
Balance at beginning of year	290	362
Repayment of current portion of long-term debt	(188)	(72)
Current portion of long-term debt	5,250	-
Current portion of deferred financing fees	(703)	-
Current portion of long-term debt at end of year	4,649	290
Balance at beginning of year	74	321
Repayment of long-term debt	(74)	(247)
Long-term debt drawn during the year	42,000	-
Current portion of long-term debt	(5,250)	-
Long-term portion of deferred financing fees	(4,921)	-
Long-term debt at end of year	31,829	74

On December 16, 2009, the Group entered into the Trafigura Project Loan Facility. As at December 31, 2010 \$42.0 million of the commitment available under the Project Loan Facility had been drawn and a further \$5.0 million was drawn on February 1, 2011. Deferred borrowing costs relating to the establishment of the facility have been included as part of the long-term debt. The Project Loan Facility bears interest at a fixed margin of 4.0% over the London Interbank Offered Rate (LIBOR) over the life of the debt. Principal repayments on the long-term debt are to be paid every six months commencing in September 2011, with a final maturity date of March 2014.

23. 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, 2010 and 2009:

	December 31 2010	December 31 2009
	\$	\$
Balance at beginning of year	12,858	12,980
Less obligation relating to discontinued operation (note 7)	-	(983)
Accretion expense	536	861
Asset retirement obligation at end of year	13,394	12,858

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 an expected life of 19 years and estimated total undiscounted cash flows of \$27.0 million. Payments are expected to occur over a period exceeding 19 years. During the year ended December 31, 2010 the accretion expense in relation to the liability was \$0.5 million (year ended December 31, 2009: \$0.9 million).

NOTES TO THE FINANCIAL STATEMENTS

24. 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 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 year ended December 31, 2010 are as follows:

	December 31 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	(35)	(1,243)
Reimbursement of advance to Trusts	360	-
Interests in net loss of AMC	-	(406)
AMC non controlling interests derecognised on disposal	(585)	-
Balance – end of period	-	260
(b) SMK – non-controlling interest		
Balance – beginning of period	-	-
Interests in net earnings of SMK	(1,160)	-
Balance – end of period	(1,160)	-
(c) AMCK – non-controlling interests		
Balance – beginning of period	-	-
Interests in net earnings of AMCK	(1,726)	-
Balance – end of period	(1,726)	-
Total non-controlling interests – end of period	(2,886)	260
(d) Social development expenditure		
Social development expenses in operating expenses (Kinsevere)	824	743
Total social development expenditure	824	743

NOTES TO THE FINANCIAL STATEMENTS

25. Common shares, share options and share warrants

(a) Equity Accounts

Common Shares	December 31, 2010		December 31, 2009	
	No. of Shares	Amount \$	No. of Shares	Amount \$
Balance – beginning of period	150,353,159	484,722	71,244,578	376,350
Exercise of stock options / warrants (i)	435,000	1,049	-	-
Share issue (ii)	-	-	78,412,929	112,634
Share issue expenses (iii)	-	(322)	-	(4,981)
Issue of shares for services (iv)	-	-	695,652	719
Shares purchased under ESSIP (v)	(442,679)	(1,238)	-	-
Balance – end of period	150,345,480	484,211	150,353,159	484,722
Contributed Surplus				
Balance – beginning of period		8,960		7,069
Employee stock based compensation recognized		855		1,891
Transfer to common shares		(402)		-
Balance – end of period		9,413		8,960
Warrants (refer note 25(c))		16,665		16,665
Equity Accounts		510,289		510,347

- (i) During the year ended December 31, 2010, 435,000 employee and director stock options were exercised (December 31, 2009: nil).
- (ii) During the year ended December 31, 2009, the Company issued 78,412,929 common shares.
- (iii) During the year ended December 31, 2010 total share issue expenses incurred were \$0.3 million (December 31, 2009: \$5.0 million).
- (iv) During the year ended December 31, 2010, there were no common shares issued for payment of services (December 31, 2009: 695,652 common shares).
- (v) 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 and determining any awards under the ESSIP.

A trust (the "Trust") has been established to manage the share component of ESSIP awards. The Group funds the Trust and the Trust is empowered to purchase common shares of Anvil on the Toronto Stock Exchange ("TSX"), 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 in May 2010. The decision to restart the ESSIP required the acquisition of shares in the Group by the Trust in order to meet the maximum 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 December 31, 2010, the Company is able to issue an additional 11,019,418 (December 31, 2009: 10,772,931) common shares under the Plan.

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

NOTES TO THE FINANCIAL STATEMENTS

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

Canadian dollar based options

Risk-free interest rate:	2.8%
Expected life:	59 months
Expected volatility:	82.6%
Expected dividend yield:	0%

During the year ended December 31, 2010, 300,000 stock options with an exercise price ranging from C\$2.98 to C\$3.27 each, with a total fair value of \$0.50 million were issued to non-executive directors pursuant to the terms of the Plan. In addition 75,000 stock options were exercised and 225,000 stock options expired. 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, 2010, 200,000 stock options were issued to employees with an exercise price of C\$2.84 each, with a total fair value of \$0.26 million were issued to employees under the Plan. In addition 360,000 stock options were exercised. 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. In addition 871,590 stock options expired.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the TSX during the five trading days immediately before the date on which stock options are granted.

The stock option expense for the year ended December 31, 2010 amounted to \$0.9 million (year ended December 31, 2009: \$1.9 million). As at December 31, 2010, the aggregate fair value of unvested stock options remaining to be charged to income amounted to \$0.4 million (December 31, 2009: \$0.5 million).

Outstanding stock options	December 31, 2010		December 31, 2009	
	No. of Shares	Weighted Average Exercise Price	No. of Shares	Weighted Average Exercise Price
Canadian Dollar based options ¹				
Outstanding at beginning of period	4,284,385	C\$10.49	2,325,975	C\$8.39
Granted under plan	500,000	C\$3.06	2,830,000	C\$1.35
Exercised	(435,000)	C\$1.71	-	-
Expired and forfeited	(225,000)	C\$6.37	(871,590)	C\$6.39
Outstanding at the end of the period	4,124,385	C\$4.17	4,284,385	C\$10.49
Options vested and outstanding at the end of the period	3,539,065	C\$4.13	2,082,382	C\$5.15

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

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

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes information about stock options outstanding at December 31, 2010:

Range of exercise prices	Options outstanding			Options exercisable		
	No. of stock options outstanding at December 31, 2010	Weighted average of remaining contractual life (months)	Weighted average exercise price	No. of stock options vested and outstanding at December 31, 2010	Weighted average of remaining contractual life (months)	Weighted average exercise price
C\$1.16-C\$1.60	2,180,000	25	C\$1.35	2,180,000	25	C\$1.35
C\$2.84-C\$2.98	275,000	69	C\$2.88	-	-	-
C\$3.27	225,000	66	C\$3.27	-	-	-
C\$3.80	295,000	5	C\$3.80	295,000	5	C\$3.80
C\$7.06	169,334	15	C\$7.06	169,334	15	C\$7.06
C\$9.41	600,000	20	C\$9.41	600,000	20	C\$9.41
C\$11.06-C\$11.84	50,000	23	C\$11.28	33,333	23	C\$11.28
C\$12.04-C\$12.43	205,958	33	C\$12.29	162,305	33	C\$12.25
C\$13.09	75,000	38	C\$13.09	50,000	38	C\$13.09
C\$14.06	49,093	27	C\$14.06	49,093	27	C\$14.06
Total	4,124,385	29	C\$4.17	3,539,065	23	C\$4.13

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

Range of exercise prices	Options outstanding			Options exercisable		
	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 granted to purchase common shares were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

26. 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 December 31, 2010 were \$39.1 million (December 31, 2009: \$13.7 million). Under the Kinsevere acquisition agreement, AMCK has an ongoing obligation to pay a mining royalty of 2.5% of gross sales 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 sales 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, 2010 the amount to be repatriated was nil (December 31, 2009: \$4.4 million).

27. 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. Stage II involves development of a 60,000 tonnes per year SX-EW plant which will produce LME Grade A copper cathode.

Mutoshi

The Group holds a beneficial interest of 70% in SMK which is the owner 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010, segmented information is presented as follows

	Year Ended December 31 2010				
	Kinsevere	Mutoshi	CDA	Inter-segment	Total
Sales	59,148	1,001	-	-	60,149
Operating expenses	(30,718)	(2,456)	(116)	-	(33,290)
Amortization	(15,626)	(1,097)	(1,388)	-	(18,111)
Segmented operating profit / (loss)	12,804	(2,552)	(1,504)	-	8,748
Interest expense and financing fees	(55,663)	(538)	(1,015)	54,789	(2,427)
Gain on derivative instruments	768	-	-	-	768
Write back of provision for impairment	-	-	9,688	-	9,688
Other income	135	118	73,041	(66,145)	7,149
Exploration expenditure written off	-	(880)	(435)	-	(1,315)
Other expenses	(14,108)	(1,107)	(10,887)	11,356	(14,746)
Segmented (loss) / profit before under noted items	(56,064)	(4,959)	68,888	-	7,865
Income taxes recovery / (expense)	9,878	(280)	(377)	-	9,221
Non-controlling interest	1,726	1,160	-	-	2,886
Segmented (loss) / profit from continuing operations	(44,460)	(4,079)	68,511	-	19,972
Loss from discontinued operation	-	-	(896)	-	(896)
Gain on sale of discontinued operation	-	-	5,911	-	5,911
Segmented (loss) / profit	(44,460)	(4,079)	73,526	-	24,987
Property, plant and equipment	469,435	9,208	3,927	-	482,570
Total assets	552,380	50,429	73,137	-	675,946
Capital expenditures	138,934	-	-	-	138,934

(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

	Year Ended December 31 2009						
	Kinsevere	Mutoshi	CDA	Inter-segment	Total continuing 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

The operations in DRC comprise i) the Kinsevere copper mine, which is currently operating a HMS plant, ii) the Dikulushi copper-silver mine, which was sold in April 2010, iii) the Mutoshi copper mine, which has ceased operating the HMS plant and is currently on care and maintenance, and iv) exploration on tenements held in the DRC. The Group's Australia and North America segment carry all corporate activity costs.

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

NOTES TO THE FINANCIAL STATEMENTS

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 2010	December 31 2009
	\$	\$
Total assets – Geographical reporting		
Democratic Republic of Congo	605,674	523,701
Zambia	-	712
Australia ¹	17,059	66,524
North America ¹	53,213	23,301
	675,946	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:

	Year Ended December 31	
	2010	2010
	\$	\$
Revenues – Geographical reporting		
Democratic Republic of Congo	60,149	49,235

28. Earnings / (loss) per share from continuing operations

Basic profit / (loss) per share	0.13	(0.18)
Diluted profit / (loss) per share	0.13	(0.18)
Weighted average number of ordinary shares outstanding - basic earnings per share	150,262,219	97,284,616
Weighted average number of ordinary shares outstanding - diluted earnings per share	154,756,802	97,284,616

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

	Year ended December 31, 2010		
	Profit	No. of Shares	\$ per share
	\$		
Basic profit per share from continuing operations	19,972	150,262,219	0.13
Diluted profit per share from continuing operations	19,972	154,756,802	0.13

	Year ended December 31, 2009		
	Loss	No. of Shares	\$ per share
	\$		
Basic and Diluted loss per share from continuing operations	(17,675)	97,284,616	(0.18)

NOTES TO THE FINANCIAL STATEMENTS

	Year ended December 31	
	2010	2009
	\$	\$
29. Supplementary cash flow information		
(a) Changes to non-cash working capital		
Accounts receivable	8,193	2,902
Inventories	64	11,598
Prepaid expenses and deposits	(108)	(1,101)
Accounts payable and accrued liabilities	(6,586)	(8,526)
Income taxes	(1,480)	(45)
Other liabilities	1,383	(360)
	1,466	4,468
(b) Other information		
Interest paid	(59)	(160)
Interest received	2,297	1,393
Income tax paid	(767)	-

30. Subsequent events

During January 2011, Trafigura exercised 6.0 million common share purchase warrants for proceeds of \$16.6 million. Pursuant to a \$200 million funding arrangement agreed with Trafigura in August 2009, Trafigura was issued 11,228,320 Warrants which entitle the holder to acquire one common share of Anvil upon payment of C\$2.75 per Warrant. The remaining 5,228,320 outstanding Warrants will expire on June 12, 2012.

In January 2011, the Company entered into a zero-cost collar transaction (the "Hedging Transaction") with an international bank, to hedge 250 tonnes per month of its anticipated copper production for the first half of 2011. Under the terms of the Hedging Transaction, the Company has locked in a floor price of \$3.86 per pound and a cap price of \$4.37 per pound and will receive the market price where the copper price is between \$3.86 per pound and \$4.37 per pound.

31. 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 (deregistered on January 2, 2009), Central African Holdings Pty Ltd, Congo Development Pty Ltd, Anvil Mining No 2 Pty Ltd (deregistered on December 12, 2007), Anvil Mining No 3 Pty Ltd (deregistered on December 12, 2007), Leda Mining Pty Ltd (deregistered on April 10, 2009) and Bannon Mining Pty Ltd (deregistered on April 10, 2009) (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 Investments Limited, L'Entreprise Minière de Kolwezi sprl, Société Minière de Kolwezi sprl, AMCK Mining sprl, Anvil Mining Holdings 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, 2010 and December 31, 2009 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 2010 \$	Year Ended December 31 2009 \$	Year Ended December 31 2010 \$	Year Ended December 31 2009 \$
	Copper-silver concentrate sales	-	-	60,149
Cost of operations	-	-	(33,290)	(39,779)
Amortization	(3)	-	(18,111)	(16,480)
Operating profit	(3)	-	8,748	(7,024)
Other income ²	8,845	2,257	3,899	1,322
Share of loss in associates	-	-	(533)	-
General, administrative and marketing	(4,350)	(7,713)	(12,607)	(10,067)
Gain / (loss) on derivative instrument	-	(586)	768	(586)
Exploration expenditure written off	(153)	-	(1,315)	(3,225)
Foreign exchange gains	118	645	2,499	461
Provision for impairment of assets	-	-	-	(2,876)
Write back of Provision for impairment of investments	9,688	4,052	9,688	4,052
Stock based compensation	(855)	(1,891)	(855)	(1,891)
Interest and financing fees	(35)	(88)	(2,427)	(1,140)
Earnings / (loss) before income tax and non controlling interests	12,895	(3,324)	7,865	(20,974)
Income tax (expense) / recovery	(1)	-	9,221	3,299
Non-controlling interest share of loss	-	-	2,886	-
Net income / (loss) from continuing operations	12,894	(3,324)	19,972	(17,675)
Loss from discontinued operation before non-controlling interest share of loss	-	-	(896)	(3,651)
Non-controlling interest share of loss	-	-	-	406
Gain on sale of discontinued operations	-	-	5,911	-
Net income / (loss)	12,894	(3,324)	24,987	(20,920)
Retained (deficit) / earnings at beginning of the year	(80,743)	(77,419)	50,067	70,987
Adjustment to opening retained earnings	-	-	-	-
Share of loss in associates	-	-	-	-
Dividends declared ²	-	-	-	-
Retained (deficit) / earnings at end of the year	(67,849)	(80,743)	75,054	51,067

(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 2010	December 31 2009	December 31 2010	December 31 2009
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	30,193	1,960	56,415	120,753
Restricted cash	764	-	7,314	
Accounts receivable	1,284	44	10,764	17,967
Inventories	-	-	14,060	14,220
Available-for-sale investments	-	1,243	-	1,243
Prepaid expenses and deposits	79	99	2,224	25,899
Current assets classified as held for sale	-	-	-	2,114
Derivative financial instruments	-	-	182	
	32,320	3,346	90,959	182,196
Non current assets				
Receivables from subsidiaries ³	411,781	407,307	-	-
Restricted cash	513	608	513	887
Available-for-sale investments	-	16,827	-	16,827
Deferred financing fees	-	2,865	-	2,865
Equity accounted investment	-	-	11,927	-
Long-term receivable	-	-	14,253	15,468
Long-term inventory	-	-	13,109	11,163
Exploration and acquisition expenditure	1,944	1,765	61,411	62,384
Property, plant and equipment	-	3	482,570	324,562
Non-current assets classified as held for sale	-	-	1,204	5,156
	414,238	429,375	584,987	439,312
Total assets	446,558	432,721	675,946	621,508
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	3,501	304	29,508	12,037
Derivative financial instrument	-	-	-	586
Income taxes payable	-	-	21	6
Other liabilities	58	48	2,634	1,712
Current portion of long-term debt	-	-	4,649	290
Current liabilities directly associated with non-current assets classified as held for sale	-	-	-	1,764
	3,559	352	36,812	16,395
Non current liabilities				
Long-term debt	-	-	31,829	74
Asset retirement obligations	-	-	13,394	12,858
Other non-current liability	-	-	144	6,711
Future income tax liability	-	-	10,751	21,048
Non-current liabilities directly associated with non-current assets classified as held for sale	-	-	-	983
	-	-	56,118	41,674
Total liabilities	3,559	352	92,930	58,069
Net assets	442,999	432,369	583,016	563,439

NOTES TO THE FINANCIAL STATEMENTS

Condensed balance sheets	Closed Group		Extended Closed Group ¹	
	December 31 2010	December 31 2009	December 31 2010	December 31 2009
	\$	\$	\$	\$
Shareholders' equity				
Equity accounts	510,848	513,112	510,848	513,112
Retained (deficit) / earnings	(67,849)	(80,743)	75,054	50,067
Non-controlling interest	-	-	(2,886)	260
Total equity	442,999	432,369	583,016	563,439

- 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 of the Closed Group includes inter-company charges between the Closed Group and entities outside the Closed Group amounting to \$3.9 million for the year ended December 31, 2010 (year ended December 31, 2009: \$1.3 million).
- 3 These long-term receivables relate to receivables from controlled entities, which are outside the Closed Group, as is listed above.