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五礦資源有限公司
MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 1208)

MAJOR TRANSACTION
IN RELATION TO A RECOMMENDED TAKEOVER OFFER
TO ACQUIRE ALL OF THE COMMON SHARES IN ANVIL MINING LIMITED

Financial adviser to

Minmetals Resources Limited



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

A letter from the Board is set out from pages 21 to 48 of this circular.

24 February 2012

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“African Invest Group”	African Invest Group Limited, a company incorporated in the British Virgin Islands and wholly-owned by Anvil
“Album Enterprises”	Album Enterprises Limited, a company incorporated on 19 January 2005 in Hong Kong with limited liability and wholly-owned by CMN
“Alexander”	Alexander Mining Katanga s.p.r.l
“AMCK”	AMCK Mining SPRL, a special purpose joint venture company established by Anvil and Mining Company Katanga SPRL to explore and develop the Kinsevere site
“Anvil”	Anvil Mining Limited, a corporation existing under the laws of the Northwest Territories, Canada, the shares of which are listed and traded on the TSX (symbol: AVM) and the CDIs of which are listed and traded on the ASX (symbol: AVM)
“Anvil Board”	the board of directors of Anvil
“Anvil Canadian GAAP Accounts”	has the meaning set out in the section of this circular entitled “Letter from the board — Waivers from Strict Compliance of the Listing Rules”
“Anvil Group”	Anvil and its Subsidiaries
“Anvil Historical Track Record Accounts”	has the meaning set out in the section of this circular entitled “Differences between accounting policies adopted by the Company (Hong Kong Financial Reporting Standards) and Anvil (Canadian Generally Accepted Accounting Principles and International Financial Reporting Standards)”
“Anvil IFRS Accounts”	has the meaning set out in the section of this circular entitled “Letter from the Board — Waivers from Strict Compliance of the Listing Rules”
“Anvil Public Documents”	all documents or information required to be filed by Anvil under Applicable Securities Laws or with the TSX or ASX since 1 January 2009
“Anvil Shareholders”	means the holders of Common Shares
“Anvil Subsidiaries”	means the Subsidiaries of Anvil

DEFINITIONS

“Amended Lease Agreement”	means the amended and consolidated lease agreement entered into between Gécamines and AMCK on 10 February 2012 relating to the lease of mining rights linked to the mining permits covering the Kinsevere and Nambulwa deposits
“Applicable Securities Laws”	the Securities Act (Ontario) and the regulations thereunder and all other applicable Canadian, United States and Australian securities Laws
“ASX”	Australian Securities Exchange
“AS\$”	means Australian Dollar(s), the lawful currency of Australia
“Board”	the board of directors of the Company
“C\$”	Canadian dollar(s), the lawful currency of Canada
“Canadian GAAP”	Canadian Generally Accepted Accounting Principles
“Canadian GAAS”	Canadian Generally Accepted Auditing Standards
“CDIs”	CHES Depository Interests, units of beneficial ownership in Common Shares registered in the name of a depository nominee and tradeable on the ASX
“CHES”	the Clearing House Electronic Sub-register System operated by the ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532)
“CICA”	Canadian Institute of Chartered Accountants
“Clarification Agreement”	the clarification and amendment agreement entered into between Gécamines and AMCK on 10 February 2012 relating to the lease agreement no°722/10525/SG/GC/2005 dated 8 December 2005, as modified by its supplemental agreement no°1 dated 20 December 2006 and its supplemental agreement no°2 dated 21 January 2009
“CMC”	中國五礦集團公司 (China Minmetals Corporation), formerly known as 中國五金礦產進出口總公司 (China National Metals and Minerals Import and Export Corporation), a State-owned enterprise incorporated on 7 April 1950 under the laws of the People’s Republic of China and the ultimate controlling shareholder of the Company

DEFINITIONS

“CMCL”	中國五礦股份有限公司 (China Minmetals Corporation Limited), a joint stock limited company incorporated on 16 December 2010 under the laws of the People’s Republic of China and owned as to 87.538% by CMC and as to 0.846% by 中國五金製品有限公司 (China National Metal Products Co., Ltd.), a wholly-owned subsidiary of CMC. CMC has an attributable interest of approximately 88.38% in CMCL as at the Latest Practicable Date
“CMN”	五礦有色金屬股份有限公司 (China Minmetals Non-Ferrous Metals Company Limited), a joint stock limited company incorporated on 27 December 2001 under the laws of the People’s Republic of China and owned as to approximately 93.6% directly by MNH as at the Latest Practicable Date. CMN is the controlling shareholder of the Company, holding indirectly approximately 71.72% of the issued share capital of the Company as at the Latest Practicable Date
“CMN Loan”	an unsecured acquisition finance facility of up to US\$1,000 million, to be provided to the Company by Album Enterprises (a wholly owned subsidiary of CMN) pursuant to the loan facility agreement dated 30 September 2011 entered into between the Company as borrower and Album Enterprises as lender
“Common Shares”	means the currently outstanding common shares of Anvil, including those common shares that are represented by CDIs, and any common shares that are issued in the future including on the exercise of Options or the Trufigura Warrants or upon the satisfaction or removal of the terms, conditions or restrictions attached to Restricted Shares, and “Common Share” means any one such common share of Anvil
“Company”	Minmetals Resources Limited (五礦資源有限公司), a company incorporated on 29 July 1988 in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Company Shareholder Approval”	means approval of the Offer by a majority of the votes cast by holders of ordinary shares in the capital of the Company at a duly called meeting of the Company or, if permitted by the Listing Rules, by a resolution in writing signed by holders of a majority of the ordinary shares in the capital of the Company
“Company Shareholders”	holders of the Company Shares

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“Company Shares”	the ordinary shares of HK\$0.05 each in the issued share capital of the Company which are listed and traded on the main board of the stock exchange operated by the Stock Exchange
“Company Subsidiaries”	means the Subsidiaries of the Company
“Completion”	the completion of the Contemplated Transactions
“Compulsory Acquisition”	has the meaning given to it in the section of this circular entitled “Letter from the Board — The Offer — Acquisition of Common Shares not deposited”
“Contemplated Transactions”	means the Offer, the transactions contemplated by the Lock-up Agreement, the take-up of Common Shares by the Offeror pursuant to the Offer, any Compulsory Acquisition, any Subsequent Acquisition Transaction, any subsequent amalgamation, merger or other business combination of the Company (or any of its affiliates) and Anvil and any other actions with respect to any other transactions contemplated by the Support Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Convertible Securities”	the Options, Trafigura Warrants and Restricted Shares
“CPVR”	means the Competent Person’s Report and Valuation Report on the Kinsevere Copper Mine, Katanga Province, Democratic Republic of Congo prepared by SRK and as set out in Appendix IV to this circular
“Directors”	the director(s) of the Company
“DRC”	Democratic Republic of the Congo
“EAF”	means electric arc furnace
“Effective Time”	the time of the appointment or election to the Anvil Board of persons designated by the Offeror who represent a majority of the directors of Anvil
“EGM”	means an extraordinary general meeting of the Company
“EMIKO”	means Enterprise Minière de Kolwezi SPRL
“Enlarged Group”	the Group as enlarged by Anvil Group upon Completion
“ESPP”	means Anvil’s Employee Share Purchase Plan
“ESSIP”	means Anvil’s Executive and Senior Staff Incentive Plan

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“ESSIS”	means Anvil’s Executive and Senior Staff Incentive Scheme as approved by Anvil Shareholders on 14 June 2011
“ESSIS Entitlements”	means outstanding entitlements, whether vested or unvested, to receive Common Shares and/or a cash amount in accordance with the terms of the ESSIS
“Expiry Time”	8:00 p.m. (Toronto time) on 16 February 2012 or such later time or times and date or dates as may be fixed by the Offeror from time to time pursuant to the offer, or subject to the right of the Offeror, such time on such date as the same may be extended
“FATA”	the Foreign Acquisitions and Takeovers Act 1975 (Australia)
“FIRB”	the Foreign Investment Review Board (Australia)
“Fully-Diluted Basis”	with respect to the number of outstanding Common Shares at any time, the number of Common Shares that would be outstanding if all Convertible Securities, whether vested or unvested, were converted into, or exchanged or exercised for, Common Shares
“GAAP”	means generally accepted accounting principles as set out in the Handbook of the CICA, as amended from time-to-time, consistently applied, or International Financial Reporting Standards, as applicable, consistently applied
“Gécamines”	La Générale des Carrières et des Mines Sarl, a company wholly owned by the State established under DRC law
“Government Entity”	means: <ul style="list-style-type: none">(a) any sovereign nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission (including any securities commission), instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing;(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any court;(c) any stock exchange; or

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	(d) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing entities established to perform a duty or function on its behalf
“Group”	the Company and its Subsidiaries
“Heads of Agreement”	means the heads of agreement entered into between Gécamines and EMIKO on 10 February 2012 relating to the company founding agreement no° 457/10264/SG/GC/2001 dated 31 January 2001, as modified by its supplemental agreement no°1 dated 1 November 2001, its supplemental agreement no°2 dated 3 October 2004 and its supplemental agreement no°3 dated 1 July 2009
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HMS”	Heavy Media Separation, a series of processes for the concentration of ore developed at one time based on specific gravity of the valuable mineral relative to the unwanted materials or impurities in the ore and the carrying dense medium such as water
“HMS Plant”	means the Stage I HMS plant at the Kinsevere Mine
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS”	Hong Kong Financial Reporting Standards
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Initial Announcement”	the announcement of the Company dated 30 September 2011 in relation to the agreement to make a recommended takeover offer to acquire all of the Common Shares in Anvil
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, as amended from time to time

DEFINITIONS

“Kinsevere Mine”	means, collectively, the Kinsevere copper mine, currently consisting of three deposits, the mine and processing facility relating thereto, all located in the DRC and all as contemplated in the Anvil Public Documents filed and publicly available on SEDAR prior to 21 September 2011
“Latest Practicable Date”	20 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Laws”	means any applicable laws, including international, national, provincial, state, municipal and local laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, notices, by-laws, rules, regulations, ordinances, or other requirements, policies or instruments of any Governmental Entity having the force of law
“Lease Agreement”	has the meaning given to it in the section of this circular entitled “Letter from the Board — Kinsevere Mine — Mining and Processing Operations”
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lists”	the lists of all registered holders of Common Shares, Options, Trafigura Warrants and Restricted Shares, as well as such lists of participants in book-based nominee registrants, non-objecting beneficial holders of Common Shares and holders of CDIs, in each case in electronic form and as of the latest practicable date, including address and security holding information for each person, to the extent available, and any supplements of such lists to reflect any changes to the holders of Common Shares, Options, Trafigura Warrants and Restricted Shares and CDIs, as applicable, or such other information, mailing labels or other assistance as the Company may reasonably request in order to be able to communicate to holders of Common Shares, Options, Trafigura Warrants and Restricted Shares and CDIs
“Loan Facility”	means the US\$100 million project loan facility for the Kinsevere Mine provided by Trafigura to the Anvil Group, entered into on 16 December 2009

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“Lock-up Agreement”	means the lock-up agreement dated 29 September 2011 (Toronto time) entered into by the Company, the Offeror and each of the Locked-up Shareholders, pursuant to which the Company has agreed to cause the Offeror to make and the Offeror has agreed to make the Offer, and the Locked-up Shareholders have agreed to tender to the Offer all of the Common Shares held or hereafter acquired by them, all on the terms and subject to the conditions set forth therein
“Locked-up Shareholders”	means Trafigura and each of the directors and CEO, CFO and COO of Anvil who hold Common Shares and/or Convertible Securities, directly or indirectly
“Major Transaction”	has the meaning given to it under Rule 14.06(3) of the Listing Rules
“Material Adverse Effect”	<p>means, when used in connection with a person, any effect that is, or could reasonably be expected to be, material and adverse to the financial condition, properties, assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), obligations (whether absolute, accrued, conditional or otherwise), businesses, operations, or present or future results of operations of that person and its Subsidiaries taken as a whole, whether before or after giving effect to the transactions contemplated by the Support Agreement, other than any effect:</p> <ul style="list-style-type: none">(a) resulting from the announcement of the Support Agreement or the transactions contemplated by the Support Agreement;(b) relating to general economic conditions, or securities or capital markets generally in Canada, the United States, DRC, Australia or elsewhere;(c) relating to any changes in currency exchange rates, interest rates or inflation;(d) affecting the global mining industry in general;(e) relating to any of the principal markets served by that person’s business generally (including the business of that person’s subsidiaries) or shortages or price changes with respect to raw materials or metals (including copper);(f) relating to a change in the market trading price or trading volume of securities of that person;

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- (g) relating solely to the failure by that person to meet any earnings, projections, forecasts or estimates, whether internal or previously publicly announced;
- (h) relating to any change in applicable generally accepted accounting principles, including GAAP, or as a result of any reconciliation of financial data into International Financial Reporting Standards; or
- (i) resulting from compliance with the terms of the Support Agreement or resulting from actions or inactions to which the other party has expressly consented, in writing;

provided that the causes underlying such effect referred to in clauses (f) or (g), respectively, may be taken into account when determining whether a Material Adverse Effect has occurred and provided further, however, that such effect referred to in clause (b), (c), (d), (e) or (h) above does not primarily relate to (or have the effect of primarily relating to) that person and its subsidiaries, taken as a whole, or materially disproportionately adversely affect that person and its subsidiaries, taken as a whole, compared to other companies of similar size operating in the industry in which that person and its subsidiaries operate

“Mawson West”	means Mawson West Limited
“MCK”	means Mining Company Katanga SPRL
“MI 61-101”	Canadian Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions
“Mining Code”	Law No. 007/2002 of July 11, 2002 relating to the mining code of the DRC
“Mining Regulations”	Decree No. 038/2003 of March 26, 2003, being the set of measures implementing the Mining Code enacted by decree of the President of the DRC
“Minimum Tender Condition”	has the meaning given to it under the heading “Letter from the Board — The Offer — Offer Conditions” in this circular
“Minister”	the Minister in the DRC that is in charge of mines and quarries

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“MNH”	五礦有色金屬控股有限公司 (China Minmetals Non-ferrous Metals Holding Company Limited), a joint stock limited company incorporated on 22 December 2009 under the laws of the PRC and a wholly-owned subsidiary of CMCL. MNH is a controlling shareholder of CMN, holding approximately 93.6% directly of CMN as at the Latest Practicable Date
“Mutoshi Offer”	has the meaning given to that term under the heading “Letter from the Board — Information on Anvil — Mutoshi Project”
“Mutoshi Project”	means, collectively, the Mutoshi copper/cobalt project and the processing facility relating thereto, all located in the DRC and all as contemplated in the Anvil Public Documents filed and publicly available on SEDAR prior to 21 September 2011
“NWTBCA”	Business Corporations Act (Northwest Territories), as amended
“Offer”	the all-cash conditional takeover offer to acquire all of the Common Shares not already owned, directly or indirectly, by the Offeror, including Common Shares issuable (and that, prior to the Expiry Time are actually issued) upon the exercise of Options or the Trafigura Warrants or resulting from the satisfaction or removal of the terms, conditions or restrictions attached to Restricted Shares
“Offer Conditions”	the conditions to completion of the Offer set out under the heading “Letter from the Board — The Offer — Offer Conditions” in this circular
“Offer Document”	the offer and circular issued by the Offeror in respect of the Offer on 19 October 2011 (Toronto time), as amended and supplemented by the notice of extension on 24 November 2011 (Toronto time), the notice of variation and extension on 9 December 2011 (Toronto time) and the notice of extension on 10 January 2012 (Toronto time) and as the same may be further amended and supplemented from time to time
“Offer Period”	the period during which the Offer will remain open
“Offer Price”	the offer price of C\$8.00 (equivalent to approximately HK\$62.4) for each Common Share pursuant to the Offer
“Offeror”	MMG Malachite Limited, a corporation existing under the laws of the Northwest Territories, Canada and an indirect wholly-owned subsidiary of the Company
“Offtake Agreement”	has the meaning given to it in the section of this circular entitled “Letter from the Board — Information on Anvil — Kinsevere Mine — Mining and Processing Operations”

DEFINITIONS

“Options”	means outstanding options to acquire Common Shares of Anvil under the Share Incentive Plan
“PwC Hong Kong”	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong
“PwC Australia”	PricewaterhouseCoopers, Chartered Accountants, Australia
“Relevant Notifiable Transaction”	has the meaning given to it in Chapter 18 of the Listing Rules
“Required Regulatory Approvals”	means FATA approval, being: (a) receipt of formal notification from the Treasurer of the Commonwealth of Australia under the FATA or foreign investment policy that the Treasurer does not object to the transactions contemplated by the Support Agreement; or (b) the Treasurer of the Commonwealth of Australia becoming precluded from exercising any power to make an order under the FATA in relation to the Contemplated Transactions
“Restricted Shares”	means a Common Share of Anvil that is subject to certain restrictions under the Share Incentive Plan
“Securities Act”	the U.S. Securities Act of 1933
“SEDAR”	means the Canadian System for Electronic Document Analysis and Retrieval
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Incentive Plan”	means the Anvil Mining 2011 Share Incentive Plan as approved by Anvil Shareholders on 14 June 2011
“SMK”	means Société Minière de Kolwezi SPRL
“SRK”	means SRK Consulting (UK) Limited
“State”	means the DRC, including its administrative subdivisions, as well as its public entities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Acquisition Transaction”	has the meaning given to it in the section of this circular entitled “Letter from the Board — The Offer — Acquisition of Common Shares not deposited”

DEFINITIONS

“Subsidiary”	means a “subsidiary” as defined in Canadian National Instrument 45-106 Prospectus and Registration Exemptions
“Support Agreement”	means the agreement dated 29 September 2011 (Toronto time) entered into between the Company, the Offeror and Anvil, as amended from time to time, relating to the Anvil Board taking all reasonable action to support the Offer and to recommend acceptance of the Offer to Anvil Shareholders, in writing, all on terms and subject to the conditions contained within the Support Agreement
“SX-EW”	Solvent Extraction Electrowinning
“SX-EW Plant”	means the Stage II SX-EW plant at the Kinsevere Mine
“Tax Act”	means the Income Tax Act (Canada) and regulations made thereunder, as now in effect and as they may be amended from time-to-time
“Tax Cost Bump”	refers to a reorganisation of Anvil and its subsidiaries following the acquisition of all the Common Shares by the Offeror pursuant to which, in accordance with the conditions and limitations under paragraphs 88(1)(c) and (d) of the Tax Act, the tax cost of certain directly held subsidiaries of Anvil may be increased
“Top Create”	Top Create Resources Limited, a company incorporated on 22 January 2004 in the British Virgin Islands with limited liability and wholly-owned by CMN
“Trafigura”	means Trafigura Beheer B.V., who was the major shareholder of Anvil prior to the expiry of the Offer
“Trafigura Warrants”	means the 5,228,320 Warrants held by Urion, where each whole warrant entitles the holder to acquire one Common Share at a price of C\$2.75 per share until 16 June 2012
“TSX”	Toronto Stock Exchange
“Warrant(s)”	means the Common Share purchase warrants of Anvil, where each whole warrant entitles the holder to acquire one Common Share
“Unaudited Financial Information under HKFRS”	has the meaning given to it in the section entitled “Appendix II — Financial Information of Anvil Group — Anvil’s unaudited Financial Information under HKFRS”

DEFINITIONS

“Unaudited Pro Forma Financial Information”	has the meaning given to it in the section entitled “Appendix III — Unaudited pro forma financial information of the Enlarged Group”
“Urion”	Urion Mining International B.V., a wholly-owned subsidiary of Trafigura
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“VWAP”	volume weighted average price

Unless otherwise stated, conversion of C\$ and US\$ into HK\$ in this circular is based on the exchange rate of C\$1.00 = HK\$7.80 and US\$1.00 = HK\$7.80 for the purpose of illustration only. No representation is made and there is no assurance that C\$, US\$ or HK\$ can be converted, purchased or sold at such rates or any other rates at all.

Unless otherwise stated, all references to a time or date in this circular are references to Hong Kong time and date.

GLOSSARY

This glossary of technical terms contains terms used in this circular in connection with the Enlarged Group. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“ASCu”	Acid soluble copper
“Co”	cobalt
“Cu”	copper
“dmt”	dry metric tonnes
“kt”	a thousand metric tonnes
“ktpa”	a thousand metric tonnes per annum
“kV”	a thousand volts
“Mt”	million tonne(s)
“t”	tonne(s)
“TCu”	total copper
“USc/lb”	U.S. cents per pound
“US\$/lb”	U.S. dollars per pound
“%”	percentage

GLOSSARY

JORC definitions

The following terminology has the meanings ascribed to such terms in the JORC Code.

“Mineral Resource”	a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
“Measured Mineral Resource”	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
“Indicated Mineral Resource”	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
“Inferred Mineral Resource”	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

GLOSSARY

“Ore Reserves”

The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

“Proved Ore Reserves”

The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.

“Probable Ore Reserves”

the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

GLOSSARY

CIM standard definitions

The following terminology has the meanings ascribed to such terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Reserves adopted by the CIM Council, as those definitions may be amended from time to time.

“CIM Mineral Resource”

Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

A Mineral Resource is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

The term Mineral Resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. The phrase 'reasonable prospects for economic extraction' implies a judgement by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. A Mineral Resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable. These assumptions must be presented explicitly in both public and technical reports.

GLOSSARY

“CIM Measured Mineral Resource”

A ‘Measured Mineral Resource’ is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Mineralization or other natural material of economic interest may be classified as a Measured Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such that the tonnage and grade of the mineralization can be estimated to within close limits and that variation from the estimate would not significantly affect potential economic viability. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.

“CIM Indicated Mineral Resource”

An ‘Indicated Mineral Resource’ is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Mineralization may be classified as an Indicated Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such as to allow confident interpretation of the geological framework and to reasonably assume the continuity of mineralization. The Qualified Person must recognize the importance of the Indicated Mineral Resource category to the advancement of the feasibility of the project. An Indicated Mineral Resource estimate is of sufficient quality to support a Preliminary Feasibility Study which can serve as the basis for major development decisions.

GLOSSARY

“CIM Inferred Mineral Resource”

An ‘Inferred Mineral Resource’ is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration. Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure. Inferred Mineral Resources must be excluded from estimates forming the basis of feasibility or other economic studies.

“CIM Mineral Reserve”

Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.

A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

GLOSSARY

Mineral Reserves are those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. Mineral Reserves are inclusive of diluting material that will be mined in conjunction with the Mineral Reserves and delivered to the treatment plant or equivalent facility. The term 'Mineral Reserve' need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.

"CIM Proven Mineral Reserve"

A 'Proven Mineral Reserve' is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

"CIM Probable Mineral Reserve"

A 'Probable Mineral Reserve' is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

LETTER FROM THE BOARD



五礦資源有限公司

MINMETALS RESOURCES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 1208)

Chairman:

WANG Lixin *(Non-executive Director)*

Vice Chairman:

HAO Chuanfu *(Executive Director)*

Executive Directors:

Andrew Gordon MICHELMORE

David Mark LAMONT

LI Liangang

Non-executive Directors:

JIAO Jian

XU Jiqing

GAO Xiaoyu

Independent non-executive Directors:

Peter William CASSIDY

LOONG Ping Kwan

Anthony Charles LARKIN

To the Company Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO A RECOMMENDED TAKEOVER OFFER
TO ACQUIRE ALL OF THE COMMON SHARES IN ANVIL MINING LIMITED**

INTRODUCTION

On 30 September 2011, the Board announced that the Company had entered into the Support Agreement with Anvil, a TSX and ASX listed company, pursuant to which the Offeror (a wholly owned subsidiary of the Company) would make an all-cash recommended takeover offer to acquire all of the Common Shares of Anvil (on a Fully-Diluted Basis, and including the Common Shares represented by Anvil's ASX listed CDI's). On 20 October 2011, the Company announced the commencement of the Offer for a cash consideration of C\$8.00 (equivalent to approximately HK\$62.40) for each Common Share. The Offer constitutes a Major Transaction for the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details in relation to Anvil, the Offer and other information in accordance with the Listing Rules.

THE OFFER

Terms of the Offer

On 30 September 2011, the Offeror entered into the Support Agreement and the Lock-up Agreement. On 19 October 2011 (Toronto time), the Company made the Offer in accordance with the terms and conditions set forth in the Support Agreement as follows:

Offer Price of C\$8.00 (equivalent to approximately HK\$62.40) in cash for each Common Share.

The Offer Price represents:

- (a) a premium of approximately 30% over the 20 trading day VWAP of Common Shares on the TSX to Thursday, 29 September 2011 (being the last day of trading in Common Shares before the date of the Initial Announcement); and
- (b) a premium of approximately 39% over the closing price of Common Shares as quoted on the TSX of C\$5.79 on Thursday, 29 September 2011 (being the last day of trading in Common Shares before the date of the Initial Announcement).

The Offer Price was determined on the basis of various factors, including, but not limited to, market prices and conditions. The full terms and conditions of the Offer are set out in the Offer Document.

Total consideration for the Offer

On the basis of the Offer Price, the entire issued share capital of 166,295,540 Common Shares (on a Fully-Diluted Basis, including 157,972,886 Common Shares, 3,094,334 Common Shares which will be issued upon full exercise of the Options under the Offer and 5,228,320 Common Shares which will be issued upon full exercise of the Trafigura Warrants), as at the date of the Initial Announcement, is valued at C\$1,330 million (equivalent to approximately HK\$10,374 million). In the event that the Offer is accepted in full (on a Fully-Diluted Basis), the aggregate amount payable by the Offeror pursuant to the Offer will be C\$1,330 million (equivalent to approximately HK\$10,374 million).

It is intended that the funding required to complete the Offer will be satisfied by:

- (a) approximately C\$1,030 million (equivalent to approximately HK\$8,034 million) from the Company's cash reserves; and
- (b) approximately C\$300 million (equivalent to approximately HK\$2,340 million) to be drawn under the CMN Loan which has been provided by Album Enterprises (a wholly owned subsidiary of CMN, the Company's controlling shareholder) to the Company. The CMN Loan has a term of twelve months.

LETTER FROM THE BOARD

In addition, the Company has entered into hedging arrangements with Independent Third Party financial institutions to limit any potential foreign exchange movement exposure.

The Company unconditionally and irrevocably guarantees, and covenants and agrees to be jointly and severally liable with the Offeror, as principal obligor, for the due and punctual performance of each and every obligation of the Offeror under the Support Agreement or relating to the Offer and the other transactions contemplated by the Support Agreement, including the payment of the aggregate Offer Price payable under the Offer, as well as for the due and punctual performance of each and every obligation of the Offeror under the Lock-up Agreement.

Offer Conditions

Notwithstanding any other provision of the Offer, the Offeror shall have the right to withdraw the Offer and not take up and pay for, or to extend the period of time during which the Offer is open and postpone taking up and paying for, any Common Shares deposited under the Offer, unless all of the following conditions are satisfied or waived by the Offeror at or prior to the Expiry Time:

- (a) there shall have been validly deposited under the Offer and not withdrawn at the Expiry Time such number of Common Shares that constitutes:
 - (i) together with the Common Shares directly or indirectly owned by the Offeror and its affiliates (if any), constitutes at least 66 $\frac{2}{3}$ % of the outstanding Common Shares calculated on a Fully-Diluted Basis at the Expiry Time; and
 - (ii) at least a majority of the Common Shares, calculated on a Fully-Diluted Basis, the votes attached to which would be included in the minority approval of a second step business combination pursuant to MI 61-101,(together, the “**Minimum Tender Condition**”);

- (b) (i) the Required Regulatory Approvals shall have been obtained on terms satisfactory to the Offeror, acting reasonably; and (ii) any other requisite government and regulatory approvals, waiting or suspensory periods (and any extensions thereof), waivers, permits, consents, reviews, sanctions, orders, rulings, decisions, declarations, certificates and exemptions (including, among others, those of any stock exchanges or other securities or regulatory authorities) that are, as determined by the Offeror, acting reasonably, necessary or advisable to complete the Offer, any Compulsory Acquisition or any Subsequent Acquisition Transaction shall have been obtained, received or concluded or, in the case of waiting or suspensory periods, expired or been terminated, each on terms and conditions satisfactory to the Offeror, acting reasonably;

- (c) the Support Agreement shall not have been terminated by Anvil or by the Company in accordance with its terms;

LETTER FROM THE BOARD

- (d) the Offeror shall have determined, acting reasonably, that (i) no act, action, suit or proceeding, in each case that is not frivolous or vexatious, shall have been taken or threatened in writing before or by any Governmental Entity or by an elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group or other entity) whether or not having the force of Law; and (ii) no Law, regulation or policy shall exist or have been proposed, enacted, entered, promulgated or applied, in either case:
- (i) to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by or the sale to the Offeror of the Common Shares or the right of the Offeror to own or exercise full rights of ownership of the Common Shares;
 - (ii) which, if the Offer (or any Compulsory Acquisition or any Subsequent Acquisition Transaction) were consummated, would reasonably be expected to have a Material Adverse Effect in respect of Anvil or the Company;
 - (iii) which would materially and adversely affect the ability of the Offeror to proceed with the Offer (or any Compulsory Acquisition or any Subsequent Acquisition Transaction) and/or take up and pay for any Common Shares deposited under the Offer;
 - (iv) seeking to obtain from the Company or any of the Company Subsidiaries or Anvil or any of the Anvil Subsidiaries any material damages, fees, levies or penalties directly or indirectly in connection with the Contemplated Transactions; or
 - (v) seeking to prohibit or limit the ownership or operation by the Company of any material portion of the business or assets of Anvil or the Anvil Subsidiaries or to compel the Company or the Company Subsidiaries to dispose of or hold separate any material portion of the business or assets of Anvil or any of the Anvil Subsidiaries;
- (e) there shall not exist any prohibition at Law against the Offeror making or maintaining the Offer or taking up and paying for any Common Shares deposited under the Offer or completing a Compulsory Acquisition or any Subsequent Acquisition Transaction;
- (f) there shall not exist or have occurred (or, if there does exist or shall have occurred prior to the date of the Support Agreement, that there shall not have been disclosed, generally or to the Company in writing on or before the execution and delivery of the Support Agreement) any change, condition, event, development, occurrence or set of facts or circumstances (or any change, condition, event, development, occurrence or set of facts or circumstances involving a prospective change) which, when considered either individually or in the aggregate, has resulted or would reasonably be expected to result in a Material Adverse Effect in respect of Anvil;
- (g) Anvil shall have complied with its covenants and obligations under the Support Agreement to be complied with at or prior to the Expiry Time in all material respects (or, where any such covenant or obligation is itself qualified by materiality or Material Adverse Effect, in all respects);

LETTER FROM THE BOARD

- (h) all representations and warranties made by Anvil in the Support Agreement shall be true and correct at and as of the Expiry Time, as if made at and as of such time (except for those expressly stated to speak at or as of an earlier time), except where such inaccuracies in the representations and warranties (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representations and warranties), individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect in respect of Anvil or materially and adversely affect the ability of the Offeror to proceed with the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction or, if the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction were consummated, would not reasonably be expected to have a Material Adverse Effect in respect of Anvil or the Company;
- (i) the Offeror shall not have, after the date of the Support Agreement, become aware of any untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made and at the date it was made (after giving effect to all subsequent filings made on or before 21 September 2011 and available on SEDAR on such date in relation to all matters covered in earlier filings), in any document filed by or on behalf of Anvil with any securities commission or similar securities regulatory authority in any of the provinces or territories of Canada or elsewhere, including any prospectus, annual information form, financial statement, material change report, management proxy circular, feasibility study or executive summary thereof, news release or any other document so filed by Anvil which constitutes a Material Adverse Effect with respect to Anvil;
- (j) all outstanding Options, Trafigura Warrants, Restricted Shares, and ESSIS Entitlements will have been exercised in full, cancelled or irrevocably released, surrendered or waived or otherwise dealt with on terms satisfactory to the Company, acting reasonably;
- (k) the Offeror shall have determined, acting reasonably, that none of Anvil, the Anvil Subsidiaries or any of their respective affiliates or any third parties has taken or proposed to take any action, or failed to take any action, or disclosed a previously undisclosed action or event (in each case, other than an action or failure to take an action specifically and publicly disclosed in the Anvil Public Documents prior to 21 September 2011 and other than a transaction expressly contemplated by the Support Agreement), that could reasonably be expected to have the effect of reducing or eliminating the amount of the Tax Cost Bump pursuant to paragraphs 88(1)(c) and (d) of the Tax Act otherwise available to the Company and its successors and assigns in respect of the non-depreciable capital properties owned by Anvil and the Anvil Subsidiaries as of the date of the Support Agreement or acquired by such entities subsequent to the date of the Support Agreement in accordance with the terms of the Support Agreement;
- (l) the Lock-up Agreement shall have been complied with and shall not have been terminated; and
- (m) the Company Shareholder Approval shall have been obtained.

LETTER FROM THE BOARD

It is understood and agreed that the Offeror may, in its sole discretion, modify or waive any term or condition of the Offer; provided that the Offeror shall not, without the prior consent of Anvil:

- (a) amend or modify the Minimum Tender Condition to less than 50.1% of the Common Shares that are outstanding at the time of initial take up of Common Shares under the Offer;
- (b) waive the Minimum Tender Condition, as it may be amended or modified pursuant to paragraph (a) above, unless the Offeror can and, after such waiver, does take up and pay for a number of Common Shares equal to not less than 50.1% of the Common Shares that are outstanding at the time of the initial take up of Common Shares under the Offer;
- (c) increase the Minimum Tender Condition;
- (d) impose additional conditions to the Offer;
- (e) decrease the cash consideration per Common Share;
- (f) decrease the number of Common Shares in respect of which the Offer is made;
- (g) change the form of consideration payable under the Offer (other than to add additional consideration or consideration alternatives); or
- (h) vary the Offer or any terms or conditions thereof (other than a waiver of a condition) in a manner that is adverse to the Shareholders. If the Offeror amends, modifies or waives the Minimum Tender Condition as permitted above and takes up and pays for any Common Shares pursuant to the Offer, the Offeror shall extend the Offer to the extent required to ensure that the Expiry Date shall be not less than 20 days from the date of such amendment, modification or waiver.

Expiration of the Offer Period

The Offer Period commenced on 19 October 2011 (Toronto time). The Offeror has extended the Offer Period three times. The Offer Period has expired at 8.00 p.m. on 16 February 2012 (Toronto time) and will not be extended.

Other provisions in the Support Agreement

In addition to the unanimous Anvil Board recommendation that the Anvil Shareholders accept the Offer, it being in their and Anvil's respective best interests, the Support Agreement also provides for, among other things, a non-solicitation covenant on the part of Anvil subject to customary fiduciary out provisions, a right in favour of the Company to match any superior proposal which arises (if any), a payment to the Company of a termination fee of C\$53.2 million (HK\$415.0 million) in certain circumstances, including if Anvil recommends a superior proposal, and a payment to Anvil of a reverse termination fee of C\$20 million (HK\$156.0 million) if the Support Agreement is terminated by Anvil due to Company Shareholder Approval not being obtained by 6 April 2012, as discussed below.

LETTER FROM THE BOARD

Pursuant to an amendment agreement to the Support Agreement dated 6 December 2011 (Toronto time) entered into by the Company, the Offeror and Anvil, the parties have agreed to:

- (a) an extension to the reverse termination fee period, such that Anvil will be entitled to a payment of a reverse termination fee of C\$20 million (HK\$156.0 million) if the Support Agreement is terminated due to Company Shareholder Approval not being obtained by 6 April 2012; and
- (b) an extension of the outside date for completion of the Offer (being a date by which the Offeror must have taken up and paid for the Common Shares under the Offer or failing which, under the terms of the Support Agreement, may entitle either Anvil or the Company to terminate the Support Agreement) from the initially agreed date, which was 90 days following the date of commencement of the Offer, to a revised date of 16 April 2012 (or later in certain circumstances).

The Lock-up Agreement

Under the terms and conditions of the Lock-up Agreement, each of the Locked-up Shareholders has agreed, among other things, to non-solicitation covenants and to accept the Offer in respect of their respective Common Shares held or hereafter acquired by them (including pursuant to any exercise of any convertible Securities held by them) subject to the terms and conditions set out therein.

FIRB approval in relation to the acquisition of the Common Shares

As stated in the Initial Announcement, an application to FIRB seeking approval or a notice of no objection to the Offer was made on 21 September 2011. On 24 October 2011, the Company received written notice from FIRB that the Australian government has no objection to the transactions contemplated by the Support Agreement and published an announcement accordingly, confirming that the Required Regulatory Approval had been obtained.

Acquisition of Common Shares not deposited

If, within the earlier of the Expiry Time or 120 days after the date of the Offer, the Offer is accepted by Shareholders who in the aggregate hold not less than 90% of the issued and outstanding Common Shares, other than Common Shares held at the date of the Offer by or on behalf of the Offeror or an “affiliate” or an “associate” of the Offeror (as those terms are defined in the NWTBCA), and the Offeror acquires such deposited Common Shares under the Offer, the Offeror has agreed in the Support Agreement, to the extent practicable, to acquire those Common Shares which remain outstanding held by those persons who did not accept the Offer pursuant to the provisions of Part XVI of the NWTBCA on the same terms and for the same consideration as the Common Shares acquired under the Offer (a “**Compulsory Acquisition**”). The Offeror has covenanted in the Support Agreement that if the Offeror acquires Common Shares pursuant to the Offer and a Compulsory Acquisition is not available or the Offeror chooses not to avail itself of such statutory right of acquisition, the Offeror will use its commercially reasonable efforts to pursue other means of acquiring the remaining

LETTER FROM THE BOARD

Common Shares not deposited under the Offer, providing that the consideration per Common Share offered in connection with such other means of acquiring such Common Shares shall be at least equal to the price per Common Share paid under the Offer. In addition, the Offeror has agreed in the Support Agreement that, in the event the Offeror takes-up and pays for Common Shares under the Offer representing at least a simple majority of the outstanding Common Shares, the Offeror will use commercially reasonable efforts, and Anvil has agreed to assist the Offeror, in order for the Offeror to acquire sufficient Common Shares to successfully complete an amalgamation, statutory arrangement, amendment to articles, consolidation, capital reorganisation or other transaction involving Anvil and the Offeror, or any affiliate of the Offeror, for the purpose of enabling the Offeror or one of its affiliates to acquire all Common Shares not acquired by it pursuant to the Offer (a “**Subsequent Acquisition Transaction**”); and for greater certainty, that when the Offeror has acquired sufficient Common Shares to do so, it shall complete a Subsequent Acquisition Transaction to acquire the remaining Common Shares, provided that the consideration per Common Share offered in connection with the Subsequent Acquisition Transaction shall not be less than the price per Common Share paid under the Offer. In no event will the Offeror be required to offer consideration per Common Share greater than the price per Common Share paid under the Offer.

THE GROUP’S SHAREHOLDING IN ANVIL

As at the Latest Practicable Date, the Offeror has acquired 98.07% of the outstanding Common Shares, including shares that are subject to CDIs at a price of C\$8.00 in cash per Common Share.

As the Offer was accepted by holders of more than 90% of the issued and outstanding Common Shares, the Offeror intends to exercise its rights under the compulsory acquisition provisions of the Business Corporations Act (Northwest Territories) to acquire all of the outstanding Common Shares that it does not currently own. The Offeror has mailed a notice of compulsory acquisition to all remaining holders of Common Shares in the week of 20 February 2012.

Upon completion of the Compulsory Acquisition, the Offeror intends to cause Anvil to apply to delist its Common Shares from TSX and to delist its CDIs from ASX and to cease being a reporting issuer under Canadian securities laws.

INFORMATION ON ANVIL

Anvil was incorporated pursuant to the NWTBCA under the name Dikulushi Resources Limited on 8 January 2004. Anvil changed its name to Anvil Mining Limited on 12 March 2004. Anvil’s corporate head office is located at Level 1, 76 Hasler Road, Herdsman Business Park, Osborne Park, Western Australia, 6017. Certain Subsidiaries of Anvil also have offices at 7409 Avenue de la Révolution, Lubumbashi, DRC. Anvil’s registered and records office is located at 4908 - 49th Street, Yellowknife, Northwest Territories, Canada X1A 2N6.

The Common Shares are listed and posted for trading on the TSX under the symbol “AVM”. While the TSX is the principal exchange on which the Common Shares are traded, they also trade as CDIs on the ASX under the symbol “AVM”. In addition, there are open market trading platforms on which the TSX Common Shares or ASX CDIs can be traded, in Frankfurt, Berlin and Stuttgart respectively.

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According to publicly available information, prepared in accordance with Canadian GAAP, for the year ended 31 December 2010, Anvil had income before income tax and non-controlling interest of US\$7.8 million (HK\$60.8 million), and net income from continuing operations after income tax and non-controlling interest of US\$20.0 million (HK\$156.0 million), for the year ended 31 December 2009, Anvil had a loss before income tax and non-controlling interest of US\$21.0 million (HK\$163.8 million) and a net loss from continuing operations after income tax and non-controlling interest of US\$17.7 million (HK\$138.1 million), and as at 31 December 2010, Anvil reported a net assets value of US\$583.1 million (HK\$4,547.4 million). As set out in the Appendix II of this circular, the corresponding unaudited financial information of Anvil under HKFRS is as follows: for the year ended 31 December 2010, loss before income tax and non-controlling interest and net loss from continuing operations after income tax and non-controlling interest were US\$19.4 million (HK\$151.3 million) and US\$7.2 million (HK\$56.2 million) respectively, for the year ended 31 December 2009, loss before income tax and non-controlling interest and net loss from continuing operations after income tax and non-controlling interest were US\$14.5 million (HK\$113.1 million) and US\$11.2 million (HK\$87.4 million) respectively, and the net assets value as at 31 December 2010 was US\$542.2 million (HK\$4,229.2 million).

The Anvil Group is an African-focused base metals mining and exploration group, which has grown through a combination of the exploration for, and development, operation and acquisition of, mining projects in the DRC. The Anvil Group's principal activities include mineral exploration, development and mining. The Anvil Group's copper production for the six months ended 30 June 2011 totalled 9,315 tonnes, comprised of 5,939 tonnes of copper concentrate and 3,376 tonnes of copper cathode.

The Anvil Group's principal asset is a 95% equity interest in the Kinsevere Mine located in the Katanga province of the DRC.

Anvil also holds a 70% equity interest in the Mutoshi Project located in the Katanga province of the DRC, a 100% interest in 12 exploration licences located in the DRC, known as the Kalemie Accord and 14.5% of the issued and outstanding capital of Mawson West. Mawson West is a TSX listed, Australian based copper producer, developer and explorer with a focus on its Dikulushi operation and Kapulo project in Katanga province of the DRC. Anvil also has interests in a number of exploration properties in the DRC.

Kinsevere Mine

The Kinsevere Mine is located in the Katanga province in the southeast of the DRC. It is situated in the central section of the central African copperbelt, approximately 30 kilometres north of the provincial capital, Lubumbashi.

The Kinsevere site comprises two separate exploitation permits, Kinsevere (PE 528) and Nambulwa (PE 539), the area of which totals 29.6 square kilometres. Kinsevere consists of three deposits, Kinsevere Hill (including Kinsevere Hill Extension (also known as Kilongo)), Tshifufia and Tshifufiamashi, and covers an area of 16.1 square kilometres. All three deposits lie within 2 kilometres

LETTER FROM THE BOARD

of each other and trend in a north north-west direction with Kinsevere Hill being the most southern deposit and Tshifufiamashi being the most northern. Both PEs 528 and 539 are valid until 3 April 2024, and may be renewed for several successive 15 year periods provided that the permit holder has not breached its obligations to maintain the validity of the PE, demonstrates the existence of financial resources required to continue to carry out the project, obtains all relevant environmental approvals and undertakes in good faith to actively carry on with the exploitation.

If PE528 and PE539 are not renewed by the end of their respective terms then they will expire. Upon their expiry, the Mining Registry of the DRC will immediately notify the permit holder of their expiry and the areas covered by PEs become free of all rights. Accordingly, the Anvil group would no longer be able to continue with its exploration and mining operations at the sites covered by PE528 and PE539.

The Company has obtained DRC legal advice that there is currently no foreseeable legal impediment to the renewal of PE528 and PE539, provided that the permit holder meets the abovementioned requirements relating to the renewal of PEs imposed under the DRC Mining Code.

The SX-EW Plant is intended to be capable of producing 60,000 tonnes of copper cathode per annum, where commissioning and ramp up to full nameplate capacity is continuing.

A more detailed discussion of the Kinsevere Mine can be found in the CPVR as set out in Appendix IV to this circular.

Joint Venture and Lease Agreement

In June 2004, Anvil and MCK entered into a joint venture for the purpose of forming AMCK, a special purpose joint venture company established to explore and develop the Kinsevere site. In exchange for an original 30% equity interest in AMCK, MCK provided to the joint venture its rights derived under a preliminary agreement with Gécamines, the owner of the relevant mineral rights over the Kinsevere site. In exchange for an original 70% equity interest in AMCK, Anvil contributed to the joint venture the funding for the exploration and initial development of the Kinsevere Mine, including the completion of a bankable feasibility study.

In July 2004, AMCK finalised its exploration agreement with Gécamines, following which AMCK had the exclusive right to negotiate with Gécamines to enter into either a joint venture or lease agreement for the sites subject to the completion of a feasibility study. In December 2005, AMCK concluded negotiations with Gécamines and signed a lease agreement with it to mine and process ore from the two exploitation permits, Kinsevere (PE 528) and Nambulwa (PE 539) (the “**Lease Agreement**”). The term of the Lease Agreement is until 3 April 2024, with an automatic 15 year renewal thereafter provided that PE528 and PE539 are also renewed for this extended term. Approval for the Lease Agreement was issued by the DRC Minister of Portfolio on 6 December 2005. The Lease Agreement provides for AMCK to make royalty payments to Gécamines based on 2.5% of gross turnover.

LETTER FROM THE BOARD

In September 2006, Anvil increased its equity holding in AMCK to 80% through the purchase of 10% of the company from MCK for US\$14 million (HK\$109.2 million). In April 2007, Anvil further increased its shareholding in AMCK to 95% on payment to MCK of a further US\$43 million (HK\$335.4 million).

On 10 February 2012, Gécamines entered into the Clarification and Amendment Agreement and the Amended Lease Agreement with AMCK. Under these agreements, Anvil will make payments to Gécamines in the amount of US\$55 million. These payments include a commercial payment to the agreements governing the Kinsevere Mine and the Mutoshi mine and a pre-payment of royalties on normal commercial terms and a tonnage based cash payment for new copper reserves discovered at the Kinsevere Mine.

Pursuant to these agreements, a US\$12.5 million royalty pre-payment was payable by AMCK at signing of these agreements and the balance of amounts payable, including a US\$15 million commercial payment, was payable upon completion of the change of control of Anvil. If for any reason the Offer is not completed, Anvil may affirm the agreements with Gécamines, in which event the pre-paid royalty will be reduced to US\$10 million and the excess US\$2.5 million of pre-paid royalty paid at signing of the agreement with Gécamines will be credited to the commercial payment. AMCK will also pay Gécamines US\$35/tCu for new reserves discovered at the Kinsevere Mine over and above those published in Anvil's annual information form for the financial year ended 31 December 2010. These agreements also include a limited right for Gécamines to audit past royalties paid to it for a period of six months, clarification that any future ultimate change of control will be assessed by Gécamines based only on a financial and technical assessment, as well as any material adverse impact based only on Gécamines activities. These agreements further contain a confirmation that Anvil's title to the Kinsevere Mine is valid and in good standing, and agreement that all claims and historic allegations of breach are cured, as well as clarifying Gécamines termination rights.

In addition, and as announced by the Company on 10 February 2012, MCK has also acknowledged and welcomed the acquisition of control of Anvil that will result from completion of the Offer and further agreed to suspend the potential claims it had previously raised for a period of six months in order to allow MMR to integrate Anvil into its business. In return for MCK suspending its previous claims, Anvil has agreed to waive its pre-emptive rights, on a one-time basis, should MCK elect to transfer its 5% interest in the Kinsevere Mine to a third party.

Trafigura option

Upon a change of control of Anvil, Trafigura has the option to require payment in full of the Loan Facility. The current principal amount outstanding under the facility is US\$43 million as of the end of January 2012. Trafigura has agreed not to exercise this option for 90 days following the change of control of Anvil, to assist Anvil in meeting the financial obligations under its agreements with Gécamines.

CIM Mineral Resource and CIM Mineral Reserve Estimates as at 31 December 2010

The CIM Mineral Resource and CIM Mineral Reserve estimate for the Kinsevere Mine contained in Tables 1.1 and 1.2 was extracted from the CIM Mineral Resource and CIM Mineral Reserve statements declared and published by Anvil in its annual information form for the financial year ended 31 December 2010.

LETTER FROM THE BOARD

The estimated total oxide CIM Measured and CIM Indicated Mineral Resource at 31 December 2010 was 29.0 million tonnes at a grade of 2.9% ASCu for 825,000 tonnes of contained acid soluble copper, whilst the total oxide CIM Inferred Mineral Resource as at the same date was 1.11 million tonnes at a grade of 1.6% ASCu for 17,200 tonnes of contained acid soluble copper.

The total sulphide CIM Measured and Indicated Mineral resource as at 31 December 2010 was 11.9 million tonnes at a grade of 2.7% TCu for 317,000 tonnes of total contained copper. The total sulphide CIM Inferred Mineral Resource as at 31 December 2010 was 12.3 million tonnes at a grade of 2.66% TCu for 328,200 tonnes of contained total copper. The results of these studies are set out below in Table 1.1.

Table 1.1 December 2010 CIM Mineral Resource Estimate: Kinsevere Mine

**Kinsevere oxide CIM Mineral Resource statement
as at 31 December 2010 (0.5% TCu cut-off)**

Deposit	Category	Tonnes (Mt)	TCu (%)	Contained	
				ASCu (%)	ASCu (kt)
Tshifufia	Measured	12.38	4.42	3.44	425.4
	Indicated	3.50	3.62	2.63	92.1
Tshifufiamashi	Measured	3.19	3.20	2.65	84.4
	Indicated	2.96	2.67	1.98	58.7
Kinsevere Hill	Measured	—	—	—	—
	Indicated	6.93	2.70	2.37	164.3
Total Oxide Deposits	Measured and Indicated	28.96	3.60	2.85	824.8

**Kinsevere combined oxide and sulphide mineral resource statement
as at 31 December 2010 (0.5% TCu cut-off)**

Deposit	Category	Tonnes (Mt)	TCu (%)	Contained	
				ASCu (%)	TCu (kt)
Tshifufia	Measured	2.29	2.36	1.11	54.0
	Indicated	8.82	2.82	1.13	248.7
Tshifufiamashi	Measured	—	—	—	—
	Indicated	0.75	1.90	0.48	14.3
Total Sulphide Deposits	Measured and Indicated	11.86	2.67	1.09	317.0
Total Oxide and Sulphide Deposits	Measured and Indicated	40.82	3.33	2.34	1,359.5

(1) The contained metal for the oxide CIM Mineral Resource is quoted in ASCu, whereas the contained metal for the sulphide CIM Mineral Resource is quoted in total copper terms TCu.

LETTER FROM THE BOARD

- (2) The CIM Mineral Resource estimate is based on geologically controlled interpretations of copper mineralised zones, defined by reverse circulation and diamond drillhole intersections. Cu grades have been interpolated, using ordinary kriging with appropriate parameters into a 3D block model, constrained by wire frames of the interpretation. Resource tonnages and grades are reported using a 0.5% Total Cu cut-off, and represent the remaining estimated mineral resources as at 1 January 2011. The geological cut-off grade has been changed from that reported for the December 2009 estimate in order to accommodate a revised economic cut-off grade for oxide CIM Mineral Reserve reporting.
- (3) The CIM Mineral Resource at the Kinsevere Mine has been estimated, classified and reported using the guidelines of the JORC Code. These guidelines are generally consistent with those required by Canadian National Instrument (NI) 43-101 — Standards of Disclosure for Mineral Projects. The estimate in relation to Tshifufia and Tshifufiamashi was prepared by Mr David Gray of Optiro Pty Ltd, whilst the estimate in relation to Kinsevere Hill was prepared under the supervision of Mr Gerry Fahey of CSA Global Pty Ltd. Messrs Gray and Fahey are Qualified Persons in accordance with NI 43-101.
- (4) CIM Mineral Resource estimates will continue to benefit from additional data acquired through infill, extensional and grade control drilling in addition to in-pit mapping and improved understanding of the geological factors influencing mineralisation.

An updated CIM Mineral Reserve estimate, as at December 2010, was completed by A & J Cameron and Associates (report dated February 2011), based on conventional mine planning steps including resource optimisation, detailed staged pit design and life of mine production scheduling. The marginal cut-off grade for future Stage II SX-EW processing of oxide plant feed at the Kinsevere Mine was determined based on an adopted revised long term copper metal price of US\$1.75/lb Cu, compared to US\$1.43/lb used in the CIM Mineral Reserve estimate of 31 December 2009. The results of this study are set out below in Table 1.2.

Table 1.2 December 2010 CIM Mineral Reserve Summary: Kinsevere Mine

**Kinsevere oxide CIM Mineral Reserve statement
as at 31 December 2010 (based on \$1.75/lb Cu)**

Deposit	Category	Tonnes (Mt)	TCu (%)	Contained	
				ASCu (%)	ASCu (kt)
Tshifufia	Proven	11.99	4.43	3.49	418.2
	Probable	1.84	4.60	3.52	64.8
Tshifufiamashi	Proven	2.75	3.32	2.82	77.6
	Probable	1.00	3.07	2.57	25.8
Kinsevere Hill	Proven	—	—	—	—
	Probable	4.55	3.10	2.77	125.8
Subtotal Pits	Proven and Probable	22.13	3.97	3.22	712.1
Stockpiles	Proven	—	—	—	—
	Probable	2.66	1.92	1.61	42.7
Subtotal Stockpiles	Proven and Probable	2.66	1.92	1.61	42.7
Total Pits and Stockpiles	Proven and Probable	24.79	3.75	3.04	754.8

LETTER FROM THE BOARD

- (1) The contained metal for the oxide CIM Mineral Reserve is quoted in ASCu terms.
- (2) The CIM Mineral Reserve is based on and is contained within the CIM Mineral Resource estimate listed in Table 1.1 (above).
- (3) The CIM Mineral Reserves at the Kinsevere Mine are reported in accordance with National Instrument 43-101.
- (4) CIM Mineral Resource estimates will continue to benefit from additional data acquired through infill, extensional and grade control drilling in addition to in-pit mapping and improved understanding of the geological factors influencing mineralisation.

Mineral Resource and Ore Reserve Estimates as at 1 October 2011 reported in accordance with the terms and definitions of the JORC Code

For the purposes of the Offer, a Mineral Resource and Ore Reserve estimate for the Kinsevere Mine was reported by SRK. This estimate is contained in Tables 2.1 and 2.2 and is derived from the Mineral Reserve and Ore Reserve statements published by Anvil and as set out in Tables 1.1 and 1.2 above, after accounting for depletion to 1 October 2011. Anvil has not published or approved the Mineral Resource and Ore Reserve estimate prepared by SRK.

The total Measured and Indicated Mineral Resource reported at 1 October 2011 by SRK is 44.1 million tonnes at a grade of 3.19% total copper and 2.27% acid soluble copper for 1.4Mt of contained total copper and 1.0 million tonnes of contained acid soluble copper.

The total Inferred Mineral Resource reported by SRK at 1 October 2011 is 13.3 million tonnes at a grade of 2.64% total copper and 0.89% acid soluble copper for 0.4 million tonnes of total contained copper and 0.1 million tonnes of contained acid soluble copper.

More detailed results are set out in the table below.

Table 2.1 October 2011 Mineral Resource Estimate: Kinsevere Mine

Mineral Resources	Tonnage		Grades		Content		
	(kt)	(%TCu)	(%ASCu)	(%Co)	(ktTCu)	(ktASCu)	(ktCo)
Measured							
Tshifufia - oxide	11,245	4.45%	3.45%	0.23%	501	388	26
Tshifufiamashi - oxide	3,184	3.19%	2.64%	0.24%	102	84	8
Sulphides	2,308	2.36%	1.11%	0.15%	55	26	3
Subtotal	16,736	3.92%	2.98%	0.22%	657	498	37
Indicated							
Tshifufia - oxide	3,454	3.65%	2.65%	0.15%	126	92	5
Tshifufiamashi - oxide	2,952	2.66%	1.98%	0.17%	79	58	5
Kinsevere - oxide	6,930	2.71%	2.37%	0.03%	188	164	2
Stockpiles	4,513	2.14%	1.90%	—	97	86	—
Sulphides	9,555	2.75%	1.08%	0.14%	263	103	14
Subtotal	27,403	2.74%	1.84%	0.09%	752	504	26

LETTER FROM THE BOARD

Mineral Resources	Tonnage	Grades			Content		
	(kt)	(% TCu)	(% ASCu)	(% Co)	(ktTCu)	(ktASCu)	(ktCo)
Measured+Indicated							
Tshifufia - oxide	14,698	4.26%	3.27%	0.21%	627	480	31
Tshifufiamashi - oxide	6,135	2.94%	2.32%	0.21%	180	142	13
Kinsevere - oxide	6,930	2.71%	2.37%	0.03%	188	164	2
Stockpiles	4,513	2.14%	1.90%	—	97	86	—
Sulphides	11,862	2.68%	1.09%	0.14%	317	129	17
Total	44,139	3.19%	2.27%	0.14%	1,409	1,002	62
Inferred							
Tshifufia - oxide	654	2.19%	1.37%	0.12%	14	9	1
Tshifufiamashi - oxide	448	2.27%	1.80%	0.15%	10	8	1
Sulphides	12,215	2.68%	0.83%	0.13%	327	101	16
Subtotal	13,317	2.64%	0.89%	0.13%	352	118	18
Mineral Resources							
Tshifufia - oxide	15,353	4.18%	3.19%	0.21%	641	489	32
Tshifufiamashi - oxide	6,584	2.89%	2.29%	0.20%	190	151	13
Kinsevere - oxide	6,930	2.71%	2.37%	0.03%	188	164	2
Stockpiles	4,513	2.14%	1.90%	—	97	86	—
Sulphides	24,077	2.68%	0.96%	0.14%	645	230	33
Total	57,456	3.06%	1.95%	0.14%	1,761	1,120	80

- (1) The Mineral Resource estimate is based on geologically controlled interpretations of copper mineralised zones, defined by reverse circulation and diamond drillhole intersections. Cu grades have been interpolated, using ordinary kriging with appropriate parameters into a 3D block model, constrained by wire frames of the interpretation. Resource tonnages and grades are reported using a 0.5% total copper cut-off grade, and represent the remaining estimated Mineral Resources as at 1 October 2011.
- (2) The Mineral Resource at the Kinsevere Mine has been classified and reported in accordance with the terms and definitions of the JORC Code. These terms and definitions are generally consistent with those required by Canadian National Instrument (NI) 43-101 — Standards of Disclosure for Mineral Projects, and should the statements be re-reported in accordance with CIM, those statements would not be materially different.
- (3) Mineral Resource estimates will continue to benefit from additional data acquired through infill, extensional and grade control drilling in addition to in-pit mapping and improved understanding of the geological factors influencing mineralisation.
- (4) Mineral Resources are reported inclusive of those Mineral Resources modified for reporting of Ore Reserves.

The Ore Reserves reported by SRK at 1 October 2011 total 25.5Mt at a grade of 3.00% acid soluble copper of which 21.0Mt at a grade of 3.24% acid soluble copper is sourced from the open-pits and 4.5Mt at a grade of 1.90% acid soluble copper is sourced from various surface stockpiles.

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The Ore Reserves are reported at an in-situ cut-off grade of 0.56% acid soluble copper (assuming a copper price of US\$175/lb) and derived from an engineered design pit derived from a raw optimised shell corresponding to a copper price of US\$143/lb.

More detailed results are set out below.

Table 2.2 October 2011 Ore Reserve Estimate: Kinsevere Mine

Ore Reserves	Tonnage (kt)	Grades		Content	
		(%TCu)	(%ASCu)	(ktTCu)	(ktASCu)
Proved					
Tshifufia	10,924	4.52%	3.55%	494	388
Tshifufiamashi	2,709	3.32%	2.81%	90	76
Subtotal	13,633	4.28%	3.40%	583	464
Probable					
Tshifufia	1,840	4.60%	3.52%	85	65
Tshifufiamashi	1,003	3.07%	2.57%	31	26
Kinsevere	4,546	3.10%	2.77%	141	126
Stockpiles	4,513	2.14%	1.90%	97	86
Subtotal	11,902	2.97%	2.54%	353	302
Ore Reserves					
Tshifufia	12,764	4.53%	3.55%	578	453
Tshifufiamashi	3,712	3.25%	2.74%	121	102
Kinsevere	4,546	3.10%	2.77%	141	126
Stockpiles	4,513	2.14%	1.90%	97	86
Total	25,536	3.67%	3.00%	936	766

(1) The Ore Reserve is based on and is contained within the Mineral Resource statement reported in the table above.

(2) The Ore Reserve is reported in accordance with the terms and definitions of the JORC Code, as at 1 October 2011.

Development

In May 2006, following completion of a feasibility study, Anvil committed to a US\$35 million Stage I development at the Kinsevere Mine which comprised the HMS Plant and an EAF. The HMS Plant was commissioned in June 2007 and the first of the two furnaces that make up the EAF facility was commissioned during the third quarter of 2008. The HMS Plant ceased operations on 24 June 2011, when it was placed on care and maintenance. As at the Latest Practicable Date, there is no intention to resume operations at the HMS Plant.

Anvil's primary focus is now the commissioning and ramp up of the 60,000 tonnes per year SX-EW Plant at the Kinsevere Mine, for which construction restarted in January 2010 after being placed on hold in November 2008. The capital cost estimate for construction of the Kinsevere Stage II project is US\$400 million and includes US\$200 million that had been spent prior to November 2008 when construction work was halted temporarily as a result of financial difficulties.

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On 12 August 2011 Anvil announced that construction of the SX-EW Plant was essentially complete, with commissioning and ramp up progressing in line with Anvil's expectations. Anvil subsequently announced that it expected design capacity to be achieved during December 2011, although this was ultimately not achieved due to technical difficulties experienced with the plant's electrowinning transformers.

Mining and Processing Operations

Mining operations at the Kinsevere Mine set out in this circular commenced in December 2006, with the first copper concentrate production from the HMS Plant occurring in June 2007. For the 2010 year, the Kinsevere Mine produced 16,538 tonnes of copper contained in concentrate. Kinsevere copper production for 2009 and 2010 is set out below in Table 3.

Table 3 Annual Production 2009 and 2010: Kinsevere Mine

		2010	2009
Ore and waste mined	tonnes	1,063,735	297,459
Ore processed	tonnes	303,161	231,823
Feed grade	% Cu	7.1	8.2
Contained copper	tonnes	21,396	19,067
Copper recovery	%	68.3	76.0
Copper produced in concentrate (HMS and Spirals)	tonnes	16,538	16,406

- (1) Ore processed at Kinsevere relates to ore processed through the HMS Plant.
- (2) Grade of concentrates is approximately 26% copper.
- (3) In 2009, the HMS Plant recommenced operation in late March 2009, following a brief halt to production.
- (4) In addition to producing a coarse concentrate from the HMS Plant, a fine grained, slightly lower grade concentrate is produced from a spirals circuit, through which the fines (<0.6mm) that are screened off before the HMS circuit, are treated.
- (5) The large increase in the quantity of mined material during 2010 is due to the HMS processing of stockpiled material (as opposed to mined material) for much of 2009 and the establishment of stockpiled material for processing through the SX-EW Plant.

On 16 November 2009, AMCK and Trafigura entered into a life of mine off-take agreement for the sale and purchase of all copper cathode produced at the SX-EW Plant at the Kinsevere Mine (the "**Offtake Agreement**"). Any copper cathode produced due to an expansion of the SX-EW Plant beyond Stage II is not subject to the Offtake Agreement. Under the Offtake Agreement the price per tonne of copper cathode is to be determined by reference to the London Metal Exchange Official Cash Settlement Price for Grade "A" copper, as adjusted in accordance with standard terms for international commodity transactions.

LETTER FROM THE BOARD

Risks relating to the operation of the Kinsevere Mine

In accordance with Chapter 18 of the Listing Rules, SRK identified in its CPVR certain risks relating to the operation of the Kinsevere Mine. Set out below are the risks which are considered material to the operation of the Kinsevere Mine, and the Company's assessment of their likelihood, potential adverse impact on the Anvil Group and its proposal to manage them.

Black Shale Mineralisation

SRK reported that its Mineral Resource statements do not include the potential negative impacts arising from the presence of carbonaceous black shale units within the oxide ore and the reconciliation exercise undertaken between the Mineral Resource model, the grade control model and mining production. Specifically, these negative impacts could lead to:

- a potential 4% reduction in contained acid soluble copper due to the presence of carbonaceous black shale units, and
- a potential 8% reduction in contained acid soluble copper in accordance with the results of the reconciliation studies completed to date.

Throughout 2011 and on an ongoing basis, Anvil has been managing the risk of a potential reduction in contained acid soluble copper by conducting improved geological definition studies, assessing the metallurgical testwork results of a feasibility study conducted with respect to the Kinsevere Mine in 2007 and processing plant batch trials.

Metallurgical Processing Risk

SRK reported that the planned milling in raffinate and direct tailings disposal processing option for the SX-EW Plant represents an operational risk. This is because, in the event that milling in raffinate and direct tailings disposal processing is not a long-term sustainable option, the procedure required to adopt a new processing option may necessitate a 6-month cessation of operations at the SX-EW Plant and lead to additional capital expenditure of around US\$20m and/or accompanying increased operating expenditures of approximately US\$9.00/t.

Anvil has reviewed previous SRK independent engineer reports highlighting this risk, and managed the risk by considering, planning and budgeting for other processing options in the event that the milling in raffinate and direct tailings disposal process proves unsuitable. Furthermore, recently commissioned inspection reports indicate that the milling in raffinate and direct tailings disposal processing option is performing well.

Impact of Increased Dewatering Requirements

The required de-watering rate at the Kinsevere Mine is currently assumed to be 600 litres per second, up from the 250 litres per second estimated in a feasibility study commissioned for the Kinsevere Mine in 2007. SRK has reported that recent hydrogeological investigations indicated that the required de-watering rate at the Kinsevere Mine may need to be further increased to 1,000 litres per second.

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Whilst Anvil successfully drilled new bores throughout 2010 and 2011 to deal with the required de-watering rate at the Kinsevere Mine, to date the required de-watering rates have not been met. This is largely due to delays in procuring pumps and related equipment, power supply interruptions and pump failures. SRK estimated that the budgeting for de-watering will increase from US\$2.20m per annum to US\$3.67m per annum, although this amounts to less than a 1% increase of total operating expenditures.

SRK also indicated that the impact of the dewatering in the broader regional context has not yet been considered for the revised de-watering rates. Whilst the economic impact of additional de-watering expenditure is likely to be minimal, the impact of de-watering in the broader regional context requires careful management both in respect of ensuring timely dry mining conditions to attain production targets and managing the impact of regional dewatering and discharge into the Kifumashi River. Anvil is mitigating this risk in several ways, including (i) by routinely managing and monitoring the impact of discharged water in accordance with South African National Standard guidelines; (ii) by conducting community consultations in respect of increased groundwater discharge from mine de-watering; (iii) by updating the environmental impact assessment for the Kinsevere Mine to require the establishment of management committees to oversee this issue; and (iv) by preparing a new surface drainage and containment plan in the updated environmental impact assessment.

Mutoshi Project

The Mutoshi Project is located 10 kilometres east of the mining centre of Kolwezi in the Katanga province in the southeast of the DRC. Kolwezi is situated in the western extremity of the central African copperbelt, approximately 250 kilometres west of the provincial capital of Lubumbashi.

The Mutoshi site is covered by mining leases PE 2604 and PER 2812. PE 2604 covers an area of 47.6 square kilometres and PER 2812 covers an area of 57.8 square kilometres.

The Mutoshi Project is a copper and cobalt exploration prospect that shows potential for a large scale, oxide open pit mining operation.

Joint Venture

Anvil (through EMIKO) and Gécamines entered into a joint venture for the purposes of forming SMK, a special purpose joint venture company established to explore and mine the Mutoshi sites. Gécamines currently holds a 30% interest in SMK whilst Anvil holds a 70% interest in SMK.

Operations History

Mining operations and HMS plant commissioning at the Mutoshi Project commenced in 2005. Operations reached design capacity of 50 tonnes per hour for production of 4,500-5,000 tonnes of copper concentrate per month in 2006 following the installation of the scrubber and larger screen.

However, during the fourth quarter of 2008, HMS processing activities ceased and the Mutoshi Project was placed on care and maintenance.

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Development

The Anvil Group is now undertaking an in-fill drilling program at the Mutoshi Project the objective of which is to establish a Mineral Resource for the Mutoshi Project by defining sufficient near-surface oxide copper and cobalt mineralisation to enable the evaluation of development options. In February 2011, Anvil signed an agreement with Alexander for it to build and operate a pilot plant to utilize Alexander's proprietary ammonia-based leaching technology to process up to 150,000 tonnes of cobalt ore at Anvil's Mutoshi Project.

Given Anvil's focus on the completion of the SX-EW Plant, the Anvil Group has not had the capacity recently to carry out further evaluation of the Mutoshi Project. As a result, a number of artisanal miners became active in the area and continue to have a presence on part of the Mutoshi tenements.

Mutoshi Offer

The Company and the Offeror acknowledge that the completion of the Offer may result in an obligation on Anvil or one or more Anvil Subsidiaries to offer to sell to Gécamines the 70% interest held by Anvil, through the Anvil Subsidiaries, in the Mutoshi Project, directly or indirectly, and have agreed that Anvil should proceed with such an offer (the "**Mutoshi Offer**").

The parties acknowledge and agree that in their discussions and negotiations respecting the Offer, the Company has, with the advice and assistance of its financial advisors, ascribed to the 70% interest held by Anvil and the Anvil Shareholders in the Mutoshi Project, a value of US\$52.5 million and, in agreeing to support the Offer and recommend its acceptance to Anvil Shareholders, the Anvil Board has agreed that such ascribed value to the 70% interest in the Mutoshi Project fairly represents the value of Anvil's interest in such project.

Under the Support Agreement, the parties covenant and agree that they will work together on a cooperative basis in the making of the Mutoshi Offer, including with respect to the preparation of all written materials and being invited and allowed to participate on a reasonable basis in any discussions, meetings and negotiations with Gécamines in respect of the Mutoshi Offer and the completion of any transaction that may result therefrom. Each party agrees to keep the other parties fully advised on a timely basis of all communications with Gécamines in respect of the Mutoshi Offer.

On 10 February 2012, EMIKO, an indirect wholly-owned subsidiary of Anvil, entered into the Heads of Agreement with Gécamines. The Heads of Agreement included a 12-month option in favour of Gécamines to purchase the Anvil Group's interest in the Mutoshi Project for \$52.5 million and an agreement to negotiate in good faith to replace the agreements currently in place with respect to the Mutoshi Project. If Gécamines does not exercise its option, the Anvil Group will have three years to complete a feasibility study for the Mutoshi Project. The Heads of Agreement also included confirmation that Anvil's title to the Mutoshi Project is valid and in good standing, and agreement that all claims and historic allegations of breach are cured as well as clarifying Gécamines, termination rights.

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The option granted to Gécamines under the Heads of Agreement, if exercised upon completion of the Offer, will constitute a notifiable and connected transaction of the Company under Chapter 14 and 14A of the Listing Rules. The Company will make a further announcement and comply with the Listing Rules, where applicable.

CPVR

In accordance with the requirements of Chapter 18 of the Listings Rules, the Company has engaged SRK to prepare the CPVR (which is annexed in Appendix IV) which, in addition to providing a competent person's report, also provides a valuation in relation to the Company's 95% interest in the Kinsevere Mine.

In the CPVR Anvil's 95% interest in the Kinsevere Mine is valued at US\$1,102 million (HK\$8,596 million). The Company's total offer price for Anvil is C\$1,330 million (US\$1,330 million or HK\$10,374 million). This represents a difference, assuming the foreign exchange rates set out in this circular, between the Company's total offer price and the valuation contained in the CPVR of approximately US\$228 million (HK\$1,778 million). The Board considers that this difference is due to the fact that (i) this does not incorporate the value of the Anvil Group's remaining assets (including the Kalemie Accord, the Mutoshi Project and Anvil's interest in Mawson West (ii) the valuation in the CPVR is, in accordance with the requirements of Chapter 18 of the Listing Rules, only reflecting the value of Anvil's current projects containing Ore Reserves and/or Measured and Indicated Mineral Resources and accordingly excludes all value attributable to Inferred Mineral Resources; and (iii) this does not include any premium or discount related to market, strategic or other considerations.

Mawson West

Anvil holds 14.5% of the issued and outstanding capital of Mawson West, a TSX listed, Australian based copper producer, developer and explorer with a focus on its 90% owned Dikulushi operation and Kapluo project, both located in Katanga province of the DRC.

Mawson West is also evaluating other projects in the DRC and elsewhere which have the capacity to increase its production profile in copper and other metals.

Kalemie Accord

Anvil holds a 100% interest in 12 exploration licences located in the DRC referred to as the 'Kalemie Accord'. Anvil is not currently engaged in active exploration activities in relation to these licences.

Trafigura Warrants

On 10 February 2012, the Trafigura Warrants were exercised in full, resulting in the issue of 5,228,320 Common Shares. All of the Common Shares were deposited into the Offer on 13 February 2012.

LETTER FROM THE BOARD

INFORMATION ABOUT THE GROUP

The Group owns and operates a portfolio of significant base metal mining operations, development and exploration projects. It is one of the world's largest producers of zinc, and is engaged in mining, processing and production of copper, lead, gold and silver, and currently has mining operations located in Australia and Laos and a large portfolio of advanced and early stage exploration projects in Australia, Asia and North America.

The Group's mining operations include:

- (a) the Century mine in Queensland, Australia, which is Australia's largest open pit zinc mine and which produced approximately 497,250 tonnes of zinc in concentrate in 2011;
- (b) the Sepon copper and gold operations in Laos, which, in 2011, produced approximately 78,860 tonnes of copper cathode and 74,480 ounces of gold;
- (c) the Golden Grove underground base and precious metals mine in Western Australia, which produces concentrates of zinc, copper and other base and precious metals and in 2011 produced approximately 76,690 tonnes of zinc in concentrate and 21,660 tonnes of copper in concentrate; and
- (d) the Rosebery mine in Tasmania, Australia, a polymetallic underground mine, in operation since 1936, which in 2011, produced approximately 86,670 tonnes of zinc in concentrate.

FINANCIAL EFFECTS OF THE OFFER

Upon Anvil becoming a subsidiary of the Company, all the earnings, assets and liabilities of Anvil would be consolidated into the consolidated financial statements of the Group.

As at 30 June 2011, the unaudited consolidated total assets and consolidated total liabilities of the Group prepared in accordance with HKFRS were approximately US\$3,696.5 million (approximately HK\$28,832.7 million) and US\$2,266.6 million (approximately HK\$17,679.5 million) respectively. As at 30 September 2011, the unaudited consolidated total assets and consolidated total liabilities of Anvil prepared in accordance with IFRS were approximately US\$725.9 million (approximately HK\$5,662.0 million) and US\$122.0 million (approximately HK\$951.6 million) respectively.

The audited consolidated net profit (after income tax) of the Group for the year ended 31 December 2010 was approximately US\$430.4 million (approximately HK\$3,357.1 million). The audited consolidated net profit (after income tax) of Anvil for the year ended 31 December 2010 was approximately US\$22.0 million (approximately HK\$171.6 million).

The financial effect of a successful Offer on the earnings and assets and liabilities of the Group is illustrated by way of the unaudited pro forma financial information of the Enlarged Group included

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in Appendix III to this circular. Assuming Anvil became a subsidiary of the Company on 30 June 2011, the unaudited pro forma total assets and total liabilities of the Enlarged Group would be approximately US\$4,297.5 million (approximately HK\$33,520.5 million) and US\$2,876.0 million (approximately HK\$22,432.8) respectively.

On this basis, and in light of the potential future prospects of Anvil, it is expected that the consolidation of the financial results of Anvil into the Group would have a positive impact on the Group's per share earnings.

REASONS FOR AND BENEFITS OF THE OFFER

The Company wishes to acquire the Anvil Group as it is an excellent fit with the Company's strategy to focus on upstream base metals businesses, and build its position as a leading international diversified upstream base metals company. When operating at full capacity the Kinsevere Mine is expected to produce approximately 60,000 tonnes per annum of copper cathode, substantially increasing the Group's copper exposure, extending the average life of mine of the Group's operations and providing a sound platform to further expand into the Central African copper belt and Southern African region.

The Company considers it has the necessary expertise to manage and operate Anvil's operations. The Company has a proven track record of managing copper projects on an international basis, from exploration through to production, in developing markets, typified by its Sepon copper/gold mine in Laos. The Company has considerable management experience in this regard, detailed descriptions of which were set out in the Company's 2010 Annual Report. In particular, the Kinsevere Mine produces copper cathode, the same copper product produced at Sepon.

Combined with the existing operational and management expertise resident in Anvil, the Company considers it is well positioned to manage and enhance Anvil's existing operations and to further build its presence in Southern Africa.

Upon successful completion of the Offer, the Company intends to conduct a detailed review of Anvil, including an evaluation of its business plans, assets, operations, projects under construction and organisational and capital structure, to determine what changes, if any, would be desirable in light of such review and the circumstances that then exist. The Company has a well-established process for integrating new businesses. The initial focus will be on developing plans with Anvil's management team on how to bring the new operations and staff into the Group and ensuring the continued safe and on-plan production for the acquired operations. The integration will be a joint cooperative effort between the management teams of the Company and Anvil.

As stated in the announcement of the Company dated 17 February 2012, all members of the Anvil Board, other than Darryll Castle, have resigned at the request of the Company and the following individuals were appointed to the Anvil Board: Andrew Michelmores, executive director and chief executive officer of the Company, David Lamont, executive director and chief financial officer of the Company, Marcelo Bastos, chief operating officer of the Company, Dr. Peter Cassidy and Anthony Larkin, independent non-executive directors of the Company. The total number of directors of Anvil

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Board was also reduced from seven to six members. Neither the Offeror nor the Company has developed any specific proposals with respect to Anvil or its operations or any changes in its assets, business strategies, management or personnel following the acquisition of the Common Shares pursuant to the Offer.

As the Offer was accepted by holders of more than 90% of the issued and outstanding Common Shares, the Offeror intends to exercise its rights under the Compulsory Acquisition provisions of the Business Corporation Act (Northwest Territories) to acquire all of the outstanding Common Shares that it does not currently own. Upon completion of the Compulsory Acquisition, the Offeror intends to delist the Common Shares from the TSX, to delist the CDIs from the ASX, to remove the open market trading platforms from Frankfurt, Berlin and Stuttgart and to cause Anvil to cease to be a reporting issuer under the securities laws of each province and territory of Canada in which it has such status.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Offer are fair and reasonable and are in the interests of the Company and the Company Shareholders as a whole and therefore recommend that the Company Shareholders approve the Offer.

The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Anvil, is a third party independent of the Company and is not a connected person of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The acquisition of all of the Common Shares under the Offer will constitute a major transaction of the Company under Rule 14.06(3) of the Listing Rules as one or more of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 25% or more but all of the percentage ratios are less than 100%. Accordingly, the Offer is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules and to the requirements of Chapter 18 of the Listing Rules as a Relevant Notifiable Transaction, including producing the CPVR.

As no Company Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the acquisition of all the Common Shares under the Offer, written shareholder's approval is accepted in lieu of the general meeting pursuant to Rule 14.44 of the Listing Rules. Any Company Shareholder with a material interest in the Offer and its associates will abstain from voting on resolutions approving the Offer. Album Enterprises and Top Create, which together hold more than 50% of the nominal value of securities of the Company giving the right to attend and vote at the general meeting to approve the Offer, have given their written approval on the acquisition of all the Common Shares under the Offer. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Offer.

WAIVERS FROM STRICT COMPLIANCE OF THE LISTING RULES

Waiver from requirement to prepare an Accountants' Report on Anvil

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on Anvil prepared in accordance with Chapter 4 of the Listing Rules.

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The accountants' report for the purpose of the Major Transaction is supposed to include the financial information of Anvil for the three financial years ended 31 December 2008, 2009 and 2010 and interim accounts for a period ended six months or less from the date of this circular prepared using accounting policies which should be materially consistent with the Company.

The shares of Anvil are listed and traded on the TSX and the CDIs are listed and traded on the ASX. The consolidated financial statements of Anvil for the three financial years ended 31 December 2008, 2009 and 2010 were prepared in accordance with Canadian GAAP and have been made publicly available. These financial statements have been audited by Anvil's auditors, PwC Australia in accordance with Canadian GAAS.

PwC Australia is authorised to sign as auditor the accounts of TSX listed entities such as Anvil because PwC Australia has registered as an approved auditing firm with the Canadian Public Accountability Board.

As a company listed on the TSX, Anvil is also required to file quarterly condensed financial statements with the TSX. These condensed interim financial statements are reviewed (but not audited) by PwC Australia in accordance with standards established by the CICA for a review of interim financial statements by an entity's auditor. For additional information on this review, please refer to the section entitled "Differences between accounting policies adopted by the Company (Hong Kong Financial Reporting Standards) and Anvil (Canadian Generally Accepted Accounting Principles and International Financial Reporting Standards)", as set out in Appendix II to this circular. In addition to providing stand alone quarterly financial results of Anvil, these quarterly condensed financial statements also provide an aggregated cumulative position for Anvil (i.e. the quarterly condensed financial statements for the three months ended 30 September 2011 also provide the aggregated performance of Anvil for the nine months ended 30 September 2011).

In 2010, the Handbook of the CICA was revised to incorporate IFRS and require Canadian publicly accountable enterprises to apply such accounting standards effective for financial periods beginning on or after 1 January 2011. Anvil consequently prepared its first consolidated interim financial statements in accordance with IFRS for the three month periods ended 31 March 2011, 30 June 2011 and 30 September 2011.

Complying with the strict requirements of the Listing Rules in having to produce an accountants' report on Anvil in this circular would create practical difficulties, and be unduly burdensome for the Company and Anvil.

In replacement of an accountants' report on Anvil, the following disclosure has been included in this circular:

- (i) audited consolidated financial statements for each of the years ended 31 December 2008, 2009 and 2010 as historically disclosed by Anvil, as set out in Appendix II to this circular. These financial statements were prepared in accordance with Canadian GAAP (the accounting policies then adopted by Anvil) (the "**Anvil Canadian GAAP Accounts**"). Your

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attention is drawn to the basis of preparation of the Anvil Canadian GAAP Accounts as set out in Note 2 to the audited consolidated financial statements for each of the years ended 31 December 2008, 2009 and 2010, and the opinion of PwC Australia, the independent auditor of Anvil;

- (ii) unaudited (but reviewed) condensed consolidated financial statements for the nine months ended 30 September 2011 as historically disclosed by Anvil, as set out in Appendix II to this circular. These financial statements were prepared in accordance with IFRS (the accounting policies then and presently adopted by Anvil) (the “**Anvil IFRS Accounts**”). Your attention is drawn to the basis of preparation of the Anvil IFRS Accounts as set out in Note 2 to the unaudited condensed consolidated financial statements for the nine months ended 30 September 2011;
- (iii) a summary addressing the material differences, other than presentational differences, which would have a significant effect on the Anvil Canadian GAAP Accounts and Anvil IFRS Accounts had they been prepared in accordance with the HKFRS accounting policies presently adopted by the Company rather than in accordance with Canadian GAAP and IFRS accounting policies respectively, as set out in the section entitled “Appendix II — Financial Information of Anvil Group — Anvil’s Unaudited Financial Information under HKFRS”; and
- (iv) the supplemental financial information of the Anvil Group, which was not included in Anvil’s financial statements showing the financial information for the three financial years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, as set out in the section entitled “Appendix II — Financial Information of Anvil Group — Supplemental Financial Information of the Anvil Group.”

The Directors consider that the published financial disclosure concerning Anvil reproduced in this circular, when taken together with the abovementioned additional financial disclosure, will afford Company Shareholders with all material information necessary to assess the financial performance of Anvil throughout the periods presented, such information being broadly commensurate in all material respects to the disclosure that would otherwise have been provided if an accountants’ report on Anvil had been produced. As such, the Company has applied to the Stock Exchange and was granted a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountants’ report on Anvil in this circular.

GENERAL

The Company will issue further announcements informing Company Shareholders and potential investors on any further update in relation to the Offer as and when appropriate or required.

This circular is for information purposes only and is not an offer to buy or the solicitation of an offer to sell any securities. The Offer (as the same may be varied or extended in accordance with applicable law) has been made exclusively by means of, and subject to the terms and conditions set

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out in, the Offer Document, which has been delivered to Anvil, filed with Canadian provincial securities regulators and mailed to Anvil Shareholders by the Offeror.

The Offer Period has expired and will not be extended.

This circular is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). This circular does not constitute or form a part of any offer of securities for sale in the United States. Securities of the Company have not been and will not be registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an exception from registration under the Securities Act. No public offering of the securities of the Company will be made in the United States.

This circular contains certain statements that are “forward-looking statements”. The words “expect”, “will”, “may”, “should”, “could”, “intend”, “estimate”, “propose” and similar expressions identify forward-looking statements. Such forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, certain of which are beyond the Company’s control, that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements and the forward-looking statements are not guarantees of future performance or achievement. These risks, uncertainties and other factors include, but are not limited to: actions taken by Anvil; changes in applicable Laws; general business and economic conditions; the failure to meet certain conditions of the Offer; the timing and receipt of governmental approvals necessary to complete the Offer and any related transactions; and the behaviour of other market participants. No assurance can be given that such forward-looking statements will prove to have been correct. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this circular. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable Laws.

If there is any inconsistency between this circular and the Chinese translation of this circular, this circular shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this circular and for which no official English translation exists are unofficial translations for your reference only.

This circular contains certain information displayed in tables. Any discrepancy in any table between totals and sums of amounts listed therein is due to rounding.

The information in this circular concerning Anvil and Anvil’s assets and projects is based on publicly available information and has not been independently verified by the Company. No representation or warranty is made as to the accuracy, completeness or reliability of such information.

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Company Shareholders and potential investors are advised to be cautious when dealing in the Company's securities.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Minmetals Resources Limited
Andrew Gordon Michelmore
CEO and Executive Director

LEGAL AND REGULATORY REGIME IN WHICH THE ANVIL GROUP OPERATES

DRC MINING LAW — LEGAL AND ADMINISTRATIVE FRAMEWORK

The legal system of the DRC is civil law-based and the mining industry is regulated through national legislation, regulations issued by the DRC parliament and the DRC executive branch. Mining and associated activities in the DRC are primarily governed by the Mining Code, adopted in 2002, and the Mining Regulations, adopted in 2003 (the Mining Code and Mining Regulations, together, being the “**Mining Law**”).

The Mining Law was introduced following a period of civil war in the DRC, which resulted in the fall of the Mobutu government and the introduction of a new transitional government. This transitional government took steps to stimulate development in the mining sector, which included implementing the Mining Law. The aim of the Mining Law was to attract investment by promising fair and transparent treatment to private sector investors. According to World Bank report 43402-ZR, this action, together with higher commodity prices, has resulted in a renewal of investment in exploration and exploitation activities in the DRC. For further information in relation to the State guarantees offered under the Mining Law, see the section entitled “State Guaranteed Freedoms” below.

The main bodies in charge of regulating mining activities under the Mining Code and Mining Regulations are:

- the President of the DRC, who can enact mining regulations to implement the Mining Code and exercises his powers by decree made on his own initiative or on the proposal of the Minister, after having obtained the opinion of the Geology Directorate or the Mining Registry;
- the Minister, who is principally in charge of administering the Mining Code and who has broad powers to, amongst other things, grant and refuse to grant mining rights for mineral substances and cancel and withdraw a mining rights holder’s mining rights;
- the Mining Registry, a public entity with legal status and financial autonomy. It is responsible for registering, amongst other things, applications for the granting of mining rights, mining rights granted (as well as refusals to grant them), cases of withdrawal, cancellation and expiry of mining rights, transformation and lease of rights, and securities on mining assets;
- the Directorate of Mines, which is responsible for, amongst other things, inspecting and supervising activities with regard to safety, health, work procedures, production, transport, sale and social matters; and
- the Department in Charge of the Protection of the Mining Environment which, in co-ordination with other State entities responsible for the protection of the environment, is responsible for, amongst other things, (i) the implementation of mining regulations concerning environmental protection; (ii) the technical evaluation of Mitigation and

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Rehabilitation Plans (“MRP”) prepared in relation to the prospecting operations of mines; and (iii) the technical evaluation of Environmental Impact Statements (“EIS”) and Environmental Management Plans of the Project (“EMPP”) presented by applicants requesting mining exploitation rights.

MINING RIGHTS PROVIDED UNDER THE MINING CODE

Under the Mining Code, deposits of mineral substances are the exclusive and inalienable property of the State. The State may grant various mining rights over such deposits to eligible individuals and entities, which are separate and distinct rights from the rights resulting from the surface area. The following people and entities are eligible to be granted mining rights:

- any individual of age who is a DRC national;
- any legal entity incorporated pursuant to DRC law with its headquarters located in the DRC and whose corporate purpose is mining activities;
- any individual of age of foreign nationality;
- any entity carrying out scientific activities (only in respect of mineral or quarry prospecting rights); and
- any legal entity incorporated pursuant to foreign law (only in respect of mineral or quarry prospecting rights).

Individuals of age of foreign nationality and legal entities incorporated pursuant to foreign law are required to elect his, her or its domicile with an authorized mining agent located in the DRC, and to act through his, her or its intermediary.

The key mining rights available under the Mining Code and which affect Anvil’s operations are:

- **Exploration Licence:** provides the holder(s) with the exclusive right to carry out, within the licensed area and during the licence term, mineral exploration work in connection with the mineral substances for which the licence has been granted. For all substances other than precious stones an exploration licence has a 5 year initial term and is renewable for two further 5 year periods (although it will only be renewed if the holder has not breached its obligations to maintain the validity of the licence, provided that the holder has submitted an exploration work permit for the prior term of validity of its licence and, at each renewal, the licence holder must relinquish 50% of the surface area covered by the licence). The surface area of the licensed area cannot exceed 400 Km², and the total surface area granted under multiple exploration licences to an entity and its affiliates cannot exceed, in total, 20,000 Km². Exploration licences are provided on a first come first served basis, and require an applicant to evidence that they meet minimum financial capacity requirements. An entity and its affiliates cannot hold more than 50 exploration licences. Finally, an exploration licence holder cannot commence work on the area covered by the exploration licence without having obtained approval in advance of its MRP.

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- **Exploitation Licence:** provides the holder(s) with the exclusive right to carry out, within the licensed area and during the licence term, exploration, development, construction and exploitation works in connection with the mineral substances for which the licence has been granted. It entitles the holder to, amongst other things, enter the licensed area to conduct mining operations; build installations and infrastructure required for mining exploitation; and use, transport and freely sell the products originating from within the licensed area. There may not be two exploitation licences over the same perimeter even if they are not granted for the same substances, except in the case of a tailings exploitation permit which may co-exist with an exploitation permit covering subsoil deposits. An exploitation licence has a 30 year initial term and is renewable several times for 15 year periods (although it will only be renewed if the holder has not breached its obligations to maintain the validity of the licence, demonstrates the existence of financial resources required to continue to carry out the project, obtains approval for updating its EIS and EMPP and undertakes in good faith to actively carry on with the exploitation). Exploitation licences are provided only if an applicant can evidence the existence of an economically exploitable deposit, that is has the financial resources required for the carrying out of the project, it provides a social development plan, which includes a description of the consultations carried out with the local populations and describes the proposed contribution of the mining operations to their development and if the applicant agrees to transfer to the State 5% of the shares in the registered capital of the company applying for the licence on a free-carry, non dilutable basis. An entity and its affiliates cannot hold more than 50 exploitation licences. A holder must obtain approval of the project's EIS and EMPP before work can commence under an exploitation licence.

MORTGAGE

A mining rights holder can mortgage, in whole or in part, its exploitation licences (but not exploration licences), various other mining exploitation rights and associated infrastructure and fixtures (including factories, installations and machines). All mortgages must be approved in advance by the Minister upon the request of the mortgagee or the mining rights holder, and must be compulsorily registered at the back of the corresponding mining title and entered into the registry book set up and kept for this purpose at the Mining Registry in order to be enforceable against a third party.

If a mining rights holder defaults under a mortgage over its mining rights, the mortgagee may execute the mortgage in accordance with applicable DRC law. The mortgagee will take the place of the defaulting mining rights holder and in this capacity require the partial or total transfer of the mining right(s) into its own name (provided it complies with the conditions of eligibility outlined above). A mortgagee that is transferred mining rights pursuant to the execution of a mortgage must assume all of the future and historical obligations owed to the State and third parties which arise from those mining rights.

LEGAL AND REGULATORY REGIME IN WHICH THE ANVIL GROUP OPERATES

LEASES AND TRANSFERS

Lease

A mining rights holder (other than a holder of an exploration licence) may lease all or part of such mining rights to a third party, although such lease may not include a right for the third party to sublease the mining rights. In order to be valid, the lease must include:

- (a) an accelerated termination clause in the event that the lessee:
 - (i) fails to pay taxes, duties and royalties due to the State; or
 - (ii) does not comply with applicable laws and regulations which have financial or administrative consequences which are detrimental to the lessor;
- (b) clauses setting out the conditions for the maintenance and the reinvestment necessary for the appropriate exploration and development of the deposit; and
- (c) a clause making the lessee jointly liable with the lessor vis-a-vis the State.

Notwithstanding any clause to the contrary contained in the lease, the lessee is liable for payment of the taxes and royalties due by virtue of the leased mining title. However, if the lessee defaults, the lessor will be liable to the State, subject to its right of recourse against the defaulting lessee.

The lease must be registered with the Mining Registry in order to be binding against third parties.

Conveyance

A mining rights holder may convey its mining rights, in whole or in part, to third parties eligible to hold mining rights. Such conveyance is final and irrevocable. The conveyance deed must include an undertaking by the transferee to assume all of the obligations of the holder to the State which arise from the mining rights. Despite this requirement, the conveyance does not relieve the initial mining rights holder from its obligations to the State for the payment of fees and charges in connection with the mining title during the period it was the holder, nor from its obligations regarding rehabilitation of the environment (discussed further below).

The conveyance deed must be registered with the Mining Registry in order to be binding against third parties.

Transfer

Mining rights may be transferred, in whole or in part, pursuant to a contract of merger or by reason of death. The person in whose favour the transfer is made must be eligible to hold mining rights.

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A former and new mining rights holder are jointly and severally liable for damages arising from works conducted prior to the transfer of the mining rights title. The former holder is required, however, to inform the new holder of any significant dangers or disadvantages resulting from exploitation, insofar as it is aware of them. In the case of any environmental liability arising prior to the transfer of the mining right, the new mining rights holder will have the option to cancel and/or terminate the transfer or to recoup a portion of the transfer price. The new mining rights holder can also request, at the expense of the former mining rights holder, the former holder to eliminate the dangers or to suppress the inconveniences which may be cause damage to third parties.

The person in whose favour the transfer is made remains liable to the State and to third parties for all the obligations of the initial mining rights holder.

The transfer deed must be registered with the Mining Registry in order to be binding against third parties.

ENVIRONMENT

Under the Mining Code, a mining rights holder (including both a licensee or a lessee) is responsible for damage caused to the environment by its activities only if it has not complied with its MRP or EMPP or has breached an environmental obligation set out in the Mining Regulations (the main obligations provided for being to implement an environmental adjustment plan (“EAP”) and rehabilitation financial guarantee, each of which are discussed further below).

If a mining rights holder breaches any of its environmental obligations (other than for reasons of *force majeure*) the competent authorities may require the mining rights holder to remedy such breach and pay a penalty, failing which the mining operations may be suspended or interrupted for an indefinite period and the penalty increased.

Any occupation of land depriving the rightful occupants of enjoyment of the surface rights, and any modification rendering the land unfit for cultivation, may cause the mining rights holder, at the request of the rightful holders of the surface rights, to pay fair compensation. In this context “fair compensation” corresponds either to the rent or the value of the land at the time of its occupation, plus fifty per cent, and “land” means the ground on which the individuals have always carried out or are effectively carrying out any activity. Simply passing through the land by the mining rights holder does not entitle the owner to any compensation if no damage results.

The Mining Regulations require the holder of an exploitation licence that is obtained pursuant to the transformation of a pre-existing mining right (for example, an exploration licence) to submit an EAP for approval. Since the Mining Regulations require that all exploitation activities be undertaken in compliance with the relevant approved plan for the protection of the environment, failure to deliver the EAP may lead to the Minister suspending mining works proposed to be conducted under the exploitation licence.

Once an EAP is approved, the holder of the exploitation licence will be required to put in place a financial guarantee as security for the performance of its rehabilitation obligations as determined in the EAP which must be acceptable to the Department in Charge of the Protection of the Mining

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Environment. The financial guarantee must be maintained until certification of satisfaction of the obligations has been obtained. The amount of the financial guarantee, as well as any other sums which may be provisioned by the titleholder for rehabilitation of the site, are deductible against taxable income for up to 0.5% of the turnover for the tax year during which the provision is made.

TAX AND CUSTOMS REGIME

The Mining Code sets out a tax and customs regime, to the exclusion of all other forms of taxation present and future, applicable to the concentration, processing and/or transformation activities carried out by mining rights holders, their affiliated companies and/or sub-contractors.

The taxes and charges imposed under the Mining Code are taxes on vehicles, taxes on the surface area of mining and hydrocarbon concessions, taxes on land, taxes on property, taxes on income, taxes on rental income, taxes on salaries, exceptional taxes on salaries of expatriates, taxes on internal turnover, taxes upon entry, taxes on consumption, excise taxes, special tax on road traffic, surface area fees and mining royalties, and charges and compensatory duties which contribute to the costs of the functioning of the public administrations or customized public services.

Set out below is a summary of some of the key taxes imposed under the Mining Code:

- the holder of a mining exploration licence in the DRC is subject to an annual tax on the surface area of the mining perimeter at a rate payable in Congolese francs equivalent to up to US\$0.04 per hectare together with an annual surface fee equivalent to US\$0.03 per hectare for the two first years of the first period of validity, US\$0.31 per hectare for the remaining years of the first period of validity, US\$0.51 per hectare for the second period of validity and US\$1.46 per hectare for the third period of validity of the title;
- the holder of a mining exploitation licence in the DRC is subject to an annual tax on the surface area of the mining perimeter at a rate payable in Congolese francs equivalent to up to US\$0.08 per hectare together with an annual surface fee equivalent to US\$5 per hectare;
- a holder of a mining exploitation licence must pay to the DRC public treasury mining royalties on the proceeds of the sale of its production (less transportation, analysis, insurance and sale costs) at a rate of 2 per cent for non-ferrous metals. Liability for mining royalties starts upon commencing of exploitation. Such royalties are due upon sale of the product. The mining royalties paid by the holder are deductible from the taxable basis of the tax on profits;
- a tax credit equal to one third of the royalties paid will be provided to a mining rights holder in respect of products sold to a transformation entity located in the DRC;
- duties are payable on goods imported for the purpose of mining operations at the rate of 2 per cent prior to commencement of exploitation work at the mine and 5 per cent thereafter;
- a mining rights holder is liable to pay taxes on profits at a rate of 30 per cent;

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- a mining rights holder holding a valid export licence may export and sell its entire production in the international market of its choice free of custom duties or other taxes on export; and
- a mining rights holder is exempted from the consumption and excise duties for mineral oils (including fuel) indicated in article 7 of DRC Ordinance law no. 68/010 of 6 January 1968 and exclusively linked to mining activities.

STATE GUARANTEED FREEDOMS

Provided that a mining rights holder complies with the Mining Code and Mining Regulations, the State guarantees the following to the mining rights holder:

- that it will comply with the law and agreements or conventions executed with partners;
- the right to freely dispose of its assets and to organise its businesses as it deems fit;
- the freedom to recruit, provided that priority shall be given to employing Congolese personnel with equal qualifications in terms of education and experience, to carry out mining operations, and subject to the conditions of dismissal pursuant to the laws and regulations in force;
- free access to raw materials within the limits of the mining rights;
- free circulation within the DRC for its personnel and its products provided that the laws concerning residence and circulation of foreigners are complied with.
- the freedom to import goods and services as well as the funds necessary for its activities, provided Congolese firms are being given priority for any contract relating to the mining project, under conditions which are equivalent in terms of quantity, quality, price and delivery and payment dates.
- the freedom to dispose of the products in the internal markets, to export and dispose of the products on the external market, provided the provisions of the present Mining Code are complied with;
- peaceful enjoyment of the area relating to its mining rights; and
- to facilitate the obtaining of all documents required for its foreign personnel to access places of exploration or exploitation, without affecting the validity of the laws and regulations governing the policing of foreigners.

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Other key protections contained in the Mining Code are that:

- the State and Central Bank are forbidden from officially repurchasing foreign currency deposited in the currency accounts of both resident and non-resident mining rights holders;
- any modification to the Mining Code can only occur by way of legislative amendment, and rights relating to or deriving from mining titles, including with regard to tax, customs, exchange control, etc. granted by the Mining Code, will remain applicable for a period of 10 years following any legislative amendment of the relevant provisions in the Mining Code; and
- a mining rights holder's installations cannot be compulsorily expropriated by the State except in exceptional circumstances set by law, in exchange for fair compensation paid to the mining right holder at least six months prior to the compulsory execution of the decisions to expropriate.

So far as the Company is aware, Anvil has throughout the period covered by the Anvil Historical Track Record Accounts been, and continues to be, in material compliance in all material respects with material laws and regulations applicable to its business and holds all material permits required to operate its business.

1 FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010 AND THE SIX MONTHS ENDED 30 JUNE 2011

Financial information of the Group for each of the three years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011 is disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.minmetalsresources.com>):

- interim report of the Company for the six months ended 30 June 2011 published on 19 September 2011 (Pages 31 to 57);
- annual report of the Company for the year ended 31 December 2010 published on 8 April 2011 (pages 74 to 157);
- annual report of the Company for the year ended 31 December 2009 published on 20 April 2010 (pages 48 to 140); and
- annual report of the Company for the year ended 31 December 2008 published on 20 April 2009 (pages 45 to 134).

2 FINANCIAL AND TRADING PROSPECT

There are two main factors which will influence the financial and trading prospects of the Enlarged Group: the supply/demand balance for the metals produced and growth through continued progress on the Enlarged Group's development projects.

The overall outlook for the future demand for the main base metals produced by the Enlarged Group is reasonable. In general terms, the continued economic growth of China and other rapidly developing economies is expected to lead to on going demand for the metals produced while these metals are tending to become more difficult and more expensive to discover and produce.

Market volatility will continue to be present in commodity prices as macro issues such as concerns over European debt markets and the US economy weigh on the market offsetting strong demand from China and supply constraints.

The focus of the Enlarged Group in the near term will be to continue to operate its assets safely and efficiently while also looking for growth. The major tasks in terms of growth for the Enlarged Group for 2012 include progressing key projects in the development pipeline. The Enlarged Group has approved expenditure of AS\$157 million to develop the next stage of the Dugald River project, an undeveloped zinc deposit in Queensland, Australia, which will progress project activities up to receipt of full environmental approval. Following completion of this stage of development, the Enlarged Group will consider final approval of project development and construction. In addition, the Enlarged Group will continue its feasibility and permitting work on the High Lake and Izok Lake zinc projects located in Canada.

3 INDEBTEDNESS

As at the close of business on 31 December 2011, being the latest practicable date for this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately US\$1,124.1 million (equivalent to approximately HK\$8,768.0 million), which comprised loans of approximately US\$1,120.8 million (equivalent to approximately HK\$8,742.2 million) and secured lease liabilities of approximately US\$3.3 million (equivalent to approximately HK\$25.8 million).

Loans of the Enlarged Group of approximately US\$1,120.8 million (equivalent to approximately HK\$8,742.2 million) were secured or guaranteed. There were no bank loans of the Enlarged Group that were unsecured.

Loans of the Enlarged Group of approximately US\$1,120.8 million (equivalent to approximately HK\$8,742.2 million) were secured/guaranteed as follows:

- (i) approximately US\$190.0 million (equivalent to approximately HK\$1,482.0 million) were secured by a charge on entire share capital of a wholly-owned subsidiary of the Company, Album Investment Private Limited (“**Album Investment**”), a mortgage on 70% of the issued shares in certain wholly-owned subsidiaries of Album Investment and a mortgage on 70% of issued shares in MMG Laos Holdings Limited, a 90%-owned subsidiary of Album Investment;
- (ii) approximately US\$366.0 million (equivalent to approximately HK\$2,854.8 million) with China Development Bank (CDB), approximately US\$136.8 million (equivalent to approximately HK\$1,067.0 million) with Bank of China (Singapore Branch) and approximately US\$385.0 million (equivalent to approximately HK\$3,003.0 million) with Bank of China (Sydney Branch) are guaranteed by CMN; and
- (iii) approximately US\$43.0 million (equivalent to approximately HK\$335.4 million) were secured by the assets of a subsidiary of the Anvil Group, AMCK Mining SPRL, as well as other subsidiary shares of the Anvil Group.

As at the close of business on 31 December 2011, the Enlarged Group had letters of credit drawn of approximately US\$94.0 million (equivalent to approximately HK\$733.2 million) described as follows:

- (i) US\$86.6 million (equivalent to approximately HK\$675.5 million) guaranteed by CMN;
- (ii) US\$0.8 million (equivalent to approximately HK\$6.2 million) secured by cash; and
- (iii) US\$6.6 million (equivalent to approximately HK\$51.5 million) unsecured.

Save as disclosed aforesaid, and apart from the litigation disclosed in Appendix V to this circular, the intra-group liabilities and normal trade debts payable, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital or overdraft, or other similar indebtedness, finance lease or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at 31 December 2011.

4 WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Enlarged Group's present internal resources and available banking facilities, the Enlarged Group has sufficient working capital for its present requirement for at least the next 12 months from the date of this circular.

5 NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

PUBLISHED FINANCIAL INFORMATION OF ANVIL GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2011

- (1) The following is an extract of the unaudited condensed interim financial statements of the Anvil Group for the nine months ended 30 September 2011, which were prepared in accordance with IFRS. These condensed interim financial statements were presented in thousands US dollars except for per share amounts and as otherwise stated.

Anvil's interim financial statements are available free of charge, in read only, printable format on the Anvil Group's website.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	September 30 2011	December 31 2010 <i>(restated)</i>
ASSETS			
Current assets			
Cash and cash equivalents	7	40,469	56,415
Restricted cash		237	7,314
Trade and other receivables	8	33,379	12,988
Inventories		36,743	14,060
Other financial assets	9	—	182
Current assets classified as held for sale		—	1,204
		<u>110,828</u>	<u>92,163</u>
Non-current assets			
Restricted cash		513	513
Trade and other receivables	11	13,600	14,253
Other financial assets	9	22,988	—
Investment in associate	10	—	11,927
Inventories		16,704	13,109
Exploration and evaluation expenditure		61,623	60,657
Property, plant and equipment	12	499,629	488,703
		<u>615,057</u>	<u>589,162</u>
Total assets		<u>725,885</u>	<u>681,325</u>

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

	Notes	September 30 2011	December 31 2010 <i>(restated)</i>
LIABILITIES			
Current liabilities			
Trade and other payables		21,733	29,508
Financial liabilities	14	24,894	38,669
Borrowings	13	13,812	4,649
Current income taxes		37	21
Provisions	15	<u>2,174</u>	<u>2,634</u>
		<u>62,650</u>	<u>75,481</u>
Non-current liabilities			
Borrowings	13	27,865	31,829
Provisions	15	21,627	20,991
Deferred tax liabilities		<u>9,883</u>	<u>10,766</u>
		<u>59,375</u>	<u>63,586</u>
Total liabilities		<u>122,025</u>	<u>139,067</u>
Net assets		<u>603,860</u>	<u>542,258</u>
Shareholders' equity			
Share capital		519,587	480,787
Share-based payment reserve		11,490	9,413
Retained earnings		95,929	54,944
Other reserves	9	<u>(18,897)</u>	<u>—</u>
Capital and reserves attributable to owners of Anvil Mining Limited		<u>608,109</u>	<u>545,144</u>
Non-controlling interests		<u>(4,249)</u>	<u>(2,886)</u>
Total equity		<u>603,860</u>	<u>542,258</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	3 Months ended		9 Months ended	
		September 30 2011	2010 <i>(restated)</i>	September 30 2011	2010 <i>(restated)</i>
Continuing operations					
Revenue from sale of goods		<u>66,384</u>	<u>14,932</u>	<u>94,350</u>	<u>44,947</u>
Cost of goods sold		<u>(33,942)</u>	<u>(10,757)</u>	<u>(57,305)</u>	<u>(33,583)</u>
Gross profit		32,442	4,175	37,045	11,364
Other income	5	61	2,756	30,755	2,802
(Loss)/gain on derivative instruments		(75)	357	(182)	(52)
Exploration costs		(1,267)	(88)	(1,332)	(444)
Provision for impairment	4(i)	(1,469)	—	(1,469)	—
Write back provision for impairment		—	709	—	5,518
General, administrative and marketing costs		(6,017)	(5,959)	(16,348)	(13,716)
Share of (loss)/gain in associate		—	—	1,116	(226)
Fair value loss on warrants carried at fair value through profit and loss		(6,253)	(4,435)	(5,460)	(237)
Other expenses		<u>(786)</u>	<u>(293)</u>	<u>(1,886)</u>	<u>(676)</u>
Profit/(loss) before finance items and tax		16,636	(2,778)	42,239	4,333
Finance costs		(4,513)	(579)	(4,990)	(1,594)
Finance income		<u>206</u>	<u>776</u>	<u>1,564</u>	<u>1,768</u>
Finance items-net		<u>(4,307)</u>	<u>197</u>	<u>(3,426)</u>	<u>174</u>
Profit/(loss) before tax		12,329	(2,581)	38,813	4,507
Income tax (expense)/benefit	6	<u>(9,385)</u>	<u>3,539</u>	<u>809</u>	<u>11,543</u>
Profit for the period from continuing operations		2,944	958	39,622	16,050
Discontinued operation					
Profit from discontinued operation		<u>—</u>	<u>—</u>	<u>—</u>	<u>5,436</u>
Profit for the period		2,944	958	39,622	21,486
Other comprehensive income/(loss)					
Changes in fair value of equity instruments through other comprehensive income	9	<u>(2,763)</u>	<u>2,366</u>	<u>(18,897)</u>	<u>2,081</u>
Total comprehensive income for the period		<u>181</u>	<u>3,324</u>	<u>20,725</u>	<u>23,567</u>

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

	Notes	3 Months ended September 30		9 Months ended September 30	
		2011	2010	2011	2010
			<i>(restated)</i>		<i>(restated)</i>
Profit/(loss) attributable to:					
Owners of Anvil Mining Limited		3,035	1,639	40,985	23,905
Non-controlling interests		<u>(91)</u>	<u>(681)</u>	<u>(1,363)</u>	<u>(2,419)</u>
		<u>2,944</u>	<u>958</u>	<u>39,622</u>	<u>21,486</u>
Total comprehensive income/(loss) attributable to:					
Owners of Anvil Mining Ltd		272	4,005	22,088	25,986
Non-controlling interests		<u>(91)</u>	<u>(681)</u>	<u>(1,363)</u>	<u>(2,419)</u>
		<u>181</u>	<u>3,324</u>	<u>20,725</u>	<u>23,567</u>
Profit per share from continuing operations:					
Basic profit per share (\$)	17	0.02	0.01	0.25	0.11
Diluted profit per share (\$)	17	0.02	0.01	0.25	0.10

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9 Months ended September 30, 2011	Attributable to owners of Anvil Mining Limited				Total	Non- controlling interest	Total Equity
	Issued capital	Retained earnings	Share based payment reserve	Financial asset revaluation reserve			
Balance as at January 1, 2011	480,787	54,944	9,413	—	545,144	(2,886)	542,258
Profit/(loss) for the period	—	40,985	—	—	40,985	(1,363)	39,622
<i>Other comprehensive income/(loss) for the period:</i>							
Changes in fair value of equity instruments through other comprehensive income	—	—	—	(18,897)	(18,897)	—	(18,897)
Income tax relating to components of other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	40,985	—	(18,897)	22,088	(1,363)	20,725
Recognition of share-based payments	—	—	2,077	—	2,077	—	2,077
Issue of ordinary shares	38,800	—	—	—	38,800	—	38,800
Balance as at September 30, 2011	<u>519,587</u>	<u>95,929</u>	<u>11,490</u>	<u>(18,897)</u>	<u>608,109</u>	<u>(4,249)</u>	<u>603,860</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9 Months ended September 30, 2010	Attributable to owners of Anvil Mining Ltd				Total	Non- controlling interest	Total Equity
	Issued capital	Retained earnings	Share based payment reserve	Financial asset revaluation reserve			
Balance at January 1, 2010	481,298	57,114	8,960	2,206	549,578	260	549,838
Effect of change in accounting policy for exploration and evaluation expenditure	—	(1,765)	—	—	(1,765)	—	(1,765)
Restated balance as at January 1, 2010	481,298	55,349	8,960	2,206	547,813	260	548,073
Profit/(loss) for the period	—	23,906	—	—	23,906	(2,420)	21,486
<i>Other comprehensive income/(loss) for the period:</i>							
Changes in fair value of equity instrument through other comprehensive income	—	—	—	2,081	2,081	—	2,081
Income tax relating to components of other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	23,906	—	2,081	25,987	(2,420)	23,567
Recognition of share-based payments	—	—	675	—	675	—	675
Shares repurchased	(1,238)	—	—	—	(1,238)	—	(1,238)
Issue of ordinary shares	516	—	(184)	—	332	—	332
Share issue expenses	(300)	—	—	—	(300)	—	(300)
Amount disbursed on behalf of the Dikulushi Trusts during the period	—	—	—	—	—	(260)	(260)
Balance as at September 30, 2010	480,276	79,255	9,451	4,287	573,269	(2,420)	570,849

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	3 Months ended		9 Months ended	
		September 30 2011	2010	September 30 2011	2010
Cash flows from operating activities					
Profit for the period from continuing operations		2,944	958	39,622	16,050
Adjustments for:					
Depreciation and amortization		9,371	4,538	17,088	13,602
Share of loss/(gain) of associate		—	—	(1,116)	226
Loss/(gain) on derivative instruments		75	(357)	182	52
Provision for impairment of asset		1,469	—	1,469	—
Write back of provision for impairment of asset		—	(709)	—	(5,518)
Gain on sale of asset		—	—	(1,671)	—
Non cash finance cost		209	575	627	1,574
Gain on discontinuation of equity accounting		—	—	(28,842)	—
Provision for bad or doubtful debts		—	—	—	450
Net exchange differences		48	(290)	(748)	(517)
Fair value loss on warrants		6,253	4,435	5,460	237
Borrowing costs amortized		3,529	—	3,529	—
Deferred tax		9,311	(3,538)	(883)	(11,543)
Share-based payment expense		740	293	1,075	675
		<u>33,949</u>	<u>5,905</u>	<u>35,792</u>	<u>15,288</u>
Changes in non-cash working capital	18	<u>(15,289)</u>	<u>(5,374)</u>	<u>(51,978)</u>	<u>(6,772)</u>
		<u>18,660</u>	<u>531</u>	<u>(16,186)</u>	<u>8,516</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(121)	(31,697)	(27,793)	(88,718)
Payments for exploration expenditure		(901)	(106)	(966)	(333)
Repayments/(payments) of security deposit		6,550	(90)	6,550	(6,550)
Proceeds from repayments from investment		—	123	—	235
		<u>5,528</u>	<u>(31,770)</u>	<u>(22,209)</u>	<u>(95,366)</u>

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

	Notes	3 Months ended		9 Months ended	
		September 30		September 30	
		2011	2010	2011	2010
Cash flows from financing activities					
Proceeds from issue of shares (net of issue expenses)		491	261	20,569	32
Payment of loan origination costs		795	(2,090)	—	(2,621)
Movement in restricted cash		23	(102)	528	(58)
Payment of borrowings		(14,000)	(48)	(14,101)	(188)
Receipts from borrowings		—	—	15,000	—
Shares purchased — ESSIP		—	—	—	(1,238)
		<u>(12,691)</u>	<u>(1,979)</u>	<u>21,996</u>	<u>(4,073)</u>
Net increase/(decrease) in cash and cash equivalents					
		11,497	(33,218)	(16,399)	(90,923)
Cash and cash equivalents at beginning of the period		28,428	63,460	56,415	121,234
Effects of exchange rate changes on cash held in foreign currencies		<u>544</u>	<u>169</u>	<u>453</u>	<u>100</u>
Cash and cash equivalents at end of the period for continuing operations		<u>40,469</u>	<u>30,411</u>	<u>40,469</u>	<u>30,411</u>
Cash and cash equivalents at end of the period		<u>40,469</u>	<u>30,411</u>	<u>40,469</u>	<u>30,411</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 as well as the processing of minerals. The Company’s principal assets are a 95% interest in the Kinsevere copper project (“Kinsevere”), a 70% interest in the Mutoshi copper-cobalt project and other exploration tenements located in the Democratic Republic of Congo (“DRC”). Anvil is a limited company incorporated in Canada whose shares are publicly traded on the Toronto and Australian stock exchanges.

2. BASIS OF PREPARATION**a) Adoption of IFRS**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis. In these consolidated interim financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these interim financial statements are the same as those applied in the Company’s interim financial statements for quarters ended March 31 and June 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company’s reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010. The accounting policies applied in these consolidated interim financial statements are based on IFRS issued and effective for the year ending December 31, 2011 as issued and outstanding as of November 14, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these consolidated interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010 and the Company’s interim financial statements for the quarters ended March 31, 2011 and June 30, 2011 prepared in accordance with IFRS applicable to interim financial statements.

b) Change in Accounting Policy

The Company's accounting policies were changed to adopt Phase 1 of IFRS 9 Financial Instruments as issued in December 2009. Phase 1 of IFRS 9 replaces the provisions of IAS 39 that relate to the classification and measurement of financial assets. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. While IFRS 9 does not need to be applied until financial reporting periods commencing on or after January 1, 2013, the Company has elected to adopt Phase 1 early from April 1, 2011.

The Company has made an irrevocable election to recognize changes in fair value of the equity investment in Mawson West Limited ("Mawson West") through Other Comprehensive Income ("OCI"), rather than profit or loss, has been applied to the available-for-sale equity instrument carried in the Company's balance sheet. This is because the business model is to hold this equity investment as a longer-term strategic investment and not for trading. This accounting policy change had no other impacts and there was no requirement to restate any comparative periods. The revised policy is summarized below. There was no difference between the previous carrying amount and the revised carrying amount of this financial asset at April 1, 2011 to be recognized in opening retained earnings.

Classification of financial assets

As from April 1, 2011 Anvil classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Debt investments — at amortized cost

A debt investment is classified as at amortized cost, only if both of the following criteria are met:

- the asset is held within a business model with the objective to collect the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

(ii) Debt investments — at fair value through profit or loss

If either of the two criteria above is not met, the debt investment is classified as at fair value through profit or loss. The Group has not designated any debt investments as measured at fair value through profit or loss so as to eliminate or significantly reduce an accounting mismatch. The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

(iii) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Group can make an irrevocable election for each investment at initial recognition to recognise changes in fair value through OCI, rather than profit or loss.

Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognized in profit or loss and presented net in the income statement within other income or other expenses in the period in which it arises. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the financial asset is derecognized or impaired and through the amortization process using the effective interest rate method.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss.

Dividends from such investments continue to be recognized in profit or loss as other revenue when the Group's right to receive payments is established and as long as they represent a return on investment.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other income or other expenses in the income statement as applicable. Interest income from these financial assets is included in the net gains/(losses). Dividend income is presented as other revenue.

c) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgements considered by management in preparing the consolidated financial statements are disclosed in the Company's interim financial statements for the quarter ended March, 31 2011. In addition, the following estimates and judgements have been made in applying the Company's accounting policies in these consolidated interim financial statements.

(i) *Mine properties under construction*

Determining the date on which assets under construction are capable of operating as intended is a key management judgement. This determines the date on which the company ceases capitalising construction related costs and commences depreciation and amortization of the related assets. Management had regard to a range of factors in exercising this judgement in relation to the Kinsevere Solvent Extraction (“SX-EW”) plant. In particular, the following key milestones needed to have been met before the plant was deemed to be capable of operating as management intended:

- completion of testing the SX-EW plant’s components, with satisfactory test results;
- functional specification and design criteria;
- minimal down-time and satisfactory recovery rates (plant stability): and
- satisfactory daily and monthly average production rates.

Management determined that the plant was capable of operating as intended on August 1, 2011.

(ii) *Income tax*

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes, the assessment of uncertain tax positions and the recoverability of tax losses. Refer Note 6 for further details.

3. TRANSITION TO IFRS

The affect of the Company’s transition to IFRS, described in Note 2, is summarized in as follows:

- a) Affect of IFRS adoption on the statement of financial position
- b) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS
- c) Adjustments to the statement of cash flows
- d) Explanatory notes

This note should be read in conjunction with the Company’s interim financial statements for the quarters ended March 31, 2011 and June 30, 2011.

(a) Effect of IFRS adoption on the statement of financial position

	Note 3(d)	September 30, 2010		
		Canadian GAAP*	Adjustments	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		30,411	—	30,411
Restricted cash		7,272	—	7,272
Trade and other receivables		18,901	—	18,901
Inventories		12,654	—	12,654
Other financial assets		26,194	—	26,194
		<u>95,432</u>	<u>—</u>	<u>95,432</u>
Non-current assets				
Restricted cash		278	—	278
Trade and other receivables		19,412	—	19,412
Investments in associates		12,234	—	12,234
Other financial assets		—	—	—
Inventory		12,843	—	12,843
Exploration and evaluation expenditure*		60,656	—	60,656
Property, plant and equipment	(ii)	450,994	4,948	455,942
		<u>556,417</u>	<u>4,948</u>	<u>561,365</u>
Total assets		<u>651,849</u>	<u>4,948</u>	<u>656,797</u>
LIABILITIES				
Current liabilities				
Trade and other payables		41,605	—	41,605
Current income tax		32	—	32
Financial liabilities at fair value through profit or loss	(i)	1,159	12,936	14,095
Provisions		1,028	—	1,028
Borrowings		176	—	176
		<u>44,000</u>	<u>12,936</u>	<u>56,936</u>

	Note 3(d)	September 30, 2010		
		Canadian GAAP*	Adjustments	IFRS
Non-current liabilities				
Deferred tax liabilities	(iii)	9,494	12	9,506
Provisions	(ii)	<u>13,285</u>	<u>6,221</u>	<u>19,506</u>
		<u>22,779</u>	<u>6,233</u>	<u>29,012</u>
Total liabilities		<u>66,779</u>	<u>19,169</u>	<u>85,948</u>
Net assets/(liabilities)		<u>585,070</u>	<u>(14,221)</u>	<u>570,849</u>
EQUITY				
Amount attributable to owners of the parent				
Share capital	(i)	500,365	(20,089)	480,276
Retained earnings*	(i), (ii), (iii), (iv)	72,828	6,427	79,255
Reserves	(iv)	<u>14,297</u>	<u>(559)</u>	<u>13,738</u>
		587,490	(14,221)	573,269
Non-controlling interest		<u>(2,420)</u>	<u>—</u>	<u>(2,420)</u>
Total equity		<u>585,070</u>	<u>(14,221)</u>	<u>570,849</u>

* Restated for the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 3 (x) of the Company's interim financial statements for the quarter ended March 31, 2011.

(b) **Reconciliation of equity and profit as previously reported under Canadian GAAP to IFRS**

	Note 3(d)	September 30 2010	
EQUITY			
Equity as reported under Canadian GAAP*		585,070	
IFRS adjustments increases/(decreases):			
Warrants	(i)	(12,936)	
Mine rehabilitation and closure provision	(ii)	(1,273)	
Deferred income tax liability	(iii)	<u>(12)</u>	
Equity as reported under IFRS		<u>570,849</u>	
		3 Months ended September 30, 2010	9 Months ended September 30, 2010
	Note 3(d)		
OTHER COMPREHENSIVE INCOME			
As reported under Canadian GAAP*		7,752	24,187
Increases/(decreases) in net income for:			
Unwind of rehabilitation provision	(ii)	24	71
Depreciation on rehabilitation asset	(ii)	(14)	(113)
Profit/loss on sale of discontinued operation	(ii)	—	(331)
Fair value adjustment on warrants	(i)	(4,435)	(237)
Deferred tax expense	(iii)	<u>(3)</u>	<u>(10)</u>
As reported under IFRS		<u>3,324</u>	<u>23,567</u>

* Restated for the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 3 (x) of the Company's interim financial statements for the quarter ended March 31, 2011.

(c) **Adjustments to the statement of cash flows**

The transition from Canadian GAAP to IFRS had no impact on the presentation of cash flows in the statement of cash flows.

(d) Explanatory notes

i. *Financial instruments*

Warrants issued to Trafigura Beheer B.V. (“Trafigura”) entitle the holder to acquire a fixed number of shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company’s functional currency (USD from the perspective of Anvil), and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value through profit or loss in accordance with the requirements of IAS 32 *Financial Instruments: Presentation*. This requirement has resulted in a reclassification of warrants issued to Trafigura, from equity, to financial liabilities measured at fair value through profit or loss. Under IFRS 9, the financial liability will be accounted for at fair value through profit or loss until such time that the warrants are exercised, at which point the liability will be transferred to equity. The impact of this reclassification is a decrease in issued share capital of \$20.1 million, an increase in retained earnings of \$7.4 million and the recognition of a financial liability of \$12.7 million at January 1, 2010.

Subsequent to IFRS transition, the impact of fair value adjustments on profit or loss and the carrying amount of the financial liability is as follows:

	3 Months ended September 30, 2010	9 Months ended September 30, 2010
Warrants: fair value adjustment		
Impact on profit or loss — (gain)/loss	4,435	237
Carrying amount of liability at end of period	12,936	12,936

No other adjustments in relation to financial instruments have been identified on IFRS transition.

ii. *Mine rehabilitation and closure provision*

Consistent with IFRS, rehabilitation provisions have been measured under Canadian GAAP based on the estimated cost of rehabilitation, discounted to its net present value upon initial recognition. However, adjustments to the discount rate have not been reflected in the provisions or the related assets under Canadian GAAP, unless there was an upward revision of the future cost estimates. The discount rate required under Canadian GAAP was a credit-adjusted rate, which is different to the risk-adjusted rate required under IFRS.

Anvil has elected to apply the available exemption from full retrospective application as allowed under IFRS 1. In accordance with the exemption, Anvil has re-measured the asset retirement liability as at January 1, 2010 under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The corresponding amount to be included in the related asset has been estimated by discounting the liability to the date on which the liability arose, and recalculating the accumulated amortization under IFRS. The impact of this adjustment on the asset retirement liability and the related rehabilitation provision asset at January 1, 2010 is an increase of \$6.3m and \$5.4m respectively.

Subsequent to IFRS transition, the impact of the IFRS adjustments on profit or loss and the carrying amount of the rehabilitation provision and related rehabilitation provision asset is as follows:

	3 Months ended September 30, 2010	9 Months ended September 30, 2010
Rehabilitation provision		
Impact on profit or loss — net (gain)/loss	(10)	373
Carrying amount of liability at end of period	(19,385)	(19,385)
Carrying amount of asset at end of period	13,024	13,024

iii. *Deferred Income Tax*

Deferred income tax liabilities have been adjusted to give effect to IFRS adjustments as follows:

	9 Months ended September 30, 2010
Rehabilitation provision	(12)

iv. *Cumulative translation adjustments*

On translation of a foreign operation in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, certain exchange differences are recognized as a separate component of equity. On subsequent disposal of the foreign operation, the accumulated translation differences related to the specific foreign operation are recognized in profit or loss for the period as part of the gain or loss on disposal.

Anvil has elected to apply the first-time adoption exemption in terms of which all translation adjustments existing at transition date are reset to zero and the requirements of IAS 21 applied prospectively from transition date. This resulted in an equity reclassification between other reserves and retained earnings of \$0.6 million.

4. SEGMENT INFORMATION

Description of segments

Management has determined the operating segments based on reports reviewed by the Company's executive committee (the "Executive Committee").

The Group's reportable operating segments are strategic business units that produce different but related products or services. Each business unit is managed separately, as 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 Heavy Media Separation ("HMS") plant was commissioned in June 2007 and produced an oxide copper concentrate and was placed on care and maintenance on June 24, 2011. The Kinsevere SX-EW plant commenced production in May, 2011 and is designed to produce 60,000 tonnes per year of LME Grade A copper cathode.

Mutoshi

The Group holds a beneficial interest of 70% in Société Minière de Kolwezi ("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. La Générale des Carrières et des Mines ("Gécamines") holds the remaining 30% interest in SMK on a non-dilutable basis. The Kulu operation is currently under care and maintenance.

Other

Other represents the Group's corporate and exploration activities, with the Group's exploration projects located in the DRC. The corporate division is responsible for regulatory reporting, corporate administration and investment activities.

The segment information provided to the senior management team for reportable segments for the three months and nine months ended September 30, 2011 and September 30, 2010 is as follows:

	3 Months ended September 30, 2011			
	Kinsevere	Mutoshi	Other	Total
Sales	66,384	—	—	66,384
Cost of goods sold	<u>(33,942)</u>	<u>—</u>	<u>—</u>	<u>(33,942)</u>
Gross profit	32,442	—	—	32,442
General, administrative and marketing costs	(171)	(160)	(5,686)	(6,017)
Exploration costs	(32)	(254)	(981)	(1,267)
Other expenses	<u>(240)</u>	<u>(8)</u>	<u>(538)</u>	<u>(786)</u>
	31,999	(422)	(7,205)	24,372
Add back depreciation and amortization	<u>9,233</u>	<u>—</u>	<u>138</u>	<u>9,371</u>
Adjusted EBITDA	41,232	(422)	(7,067)	33,743
Property, plant and equipment	486,158	10,217	3,254	499,629
Exploration and evaluation expenditure	20,014	40,416	1,193	61,623
Total assets	<u>621,264</u>	<u>51,654</u>	<u>52,966</u>	<u>725,885</u>

	3 Months ended September 30, 2010			
	Kinsevere	Mutoshi	Other	Total
Sales	14,827	105	—	14,932
Cost of goods sold	<u>(10,757)</u>	<u>—</u>	<u>—</u>	<u>(10,757)</u>
Gross profit	4,070	105	—	4,175
General, administrative and marketing costs	(291)	(737)	(4,931)	(5,959)
Exploration costs	—	—	(88)	(88)
Other expenses	<u>—</u>	<u>—</u>	<u>(293)</u>	<u>(293)</u>
	3,779	(632)	(5,312)	(2,165)
Add back depreciation and amortization	<u>3,808</u>	<u>278</u>	<u>452</u>	<u>4,538</u>
Adjusted EBITDA	7,587	(354)	(4,860)	2,373
Property, plant and equipment	442,553	9,114	4,275	455,942
Exploration and evaluation expenditure	19,236	40,231	1,189	60,656
Total assets	<u>544,790</u>	<u>52,267</u>	<u>59,740</u>	<u>656,797</u>
	9 Months ended September 30, 2011			
	Kinsevere	Mutoshi	Other	Total
Sales	94,350	—	—	94,350
Cost of goods sold	<u>(57,279)</u>	<u>(26)</u>	<u>—</u>	<u>(57,305)</u>
Gross profit	37,071	(26)	—	37,045
General, administrative and marketing costs	(1,032)	(775)	(14,541)	(16,348)
Exploration costs	(363)	(320)	(649)	(1,332)
Other expenses	<u>(134)</u>	<u>(1)</u>	<u>(1,751)</u>	<u>(1,886)</u>
	35,542	(1,122)	(16,941)	17,479
Add back depreciation and amortization	<u>16,379</u>	<u>—</u>	<u>709</u>	<u>17,088</u>
Adjusted EBITDA	51,921	(1,122)	(16,232)	34,567
Property, plant and equipment	486,158	10,217	3,254	499,629
Exploration and evaluation expenditure	20,014	40,416	1,193	61,623
Total assets	<u>621,264</u>	<u>51,654</u>	<u>52,966</u>	<u>725,885</u>

	9 Months ended September 30, 2010			
	Kinsevere	Mutoshi	Other	Total
Sales	43,937	1,010	—	44,947
Cost of goods sold	<u>(32,838)</u>	<u>(745)</u>	<u>—</u>	<u>(33,583)</u>
Gross profit	11,099	265	—	11,364
General, administrative and marketing costs	(533)	(2,178)	(11,005)	(13,716)
Exploration costs	—	—	(444)	(444)
Other expenses	<u>—</u>	<u>—</u>	<u>(676)</u>	<u>(676)</u>
	10,566	(1,913)	(12,125)	(3,472)
Add back depreciation and amortization	<u>11,619</u>	<u>920</u>	<u>1,063</u>	<u>13,602</u>
Adjusted EBITDA	22,185	(993)	(11,062)	10,130
Property, plant and equipment	442,553	9,114	4,275	455,942
Exploration and evaluation expenditure	19,236	40,231	1,189	60,656
Total assets	<u>544,790</u>	<u>52,267</u>	<u>59,740</u>	<u>656,797</u>

The Executive Committee assesses the performance of each operating segment based on a number of measures, with the primary measure being adjusted EBITDA. The adjusted EBITDA measurement basis excludes the effects of non-recurring expenditure from operating segments such as gain/loss on discontinuation of investment in associate and gain/loss on warrants carried at fair value. Furthermore, adjusted EBITDA excludes the effects of unrealized gains/losses on derivative financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. A reconciliation of adjusted EBITDA to profit/(loss) before finance items and tax is provided as follows:

	3 Months ended		9 Months ended	
	September 30		September 30	
	2011	2010	2011	2010
Profit/(loss) before finance items and tax	16,636	(2,778)	42,239	4,333
Depreciation and amortization	9,371	4,538	17,088	13,602
Other income	(61)	(2,756)	(30,755)	(2,802)
Share of loss/(gain) in associate	—	—	(1,116)	226
Fair value loss on warrants carried at fair value through profit and loss	6,253	4,435	5,460	237
Loss/(gain) on derivative instruments	75	(357)	182	52
Provision for impairment (i)	1,469	—	1,469	—
Write back on provision for impairment	—	(709)	—	(5,518)
Adjusted EBITDA	<u>33,743</u>	<u>2,373</u>	<u>34,567</u>	<u>10,130</u>

- (i) Provision for impairment of \$1.5 million represents the written down value of components of the HMS plant that are no longer utilized in the operation of the SX-EW plant.

5. OTHER INCOME

	3 Months ended		9 Months ended	
	September 30		September 30	
	2011	2010	2011	2010
Gain on sale of assets	—	—	1,671	—
Foreign exchange gain	—	2,717	—	2,605
Gain on discontinuation of equity accounting	(i)	—	28,842	—
Other miscellaneous income	<u>61</u>	<u>39</u>	<u>242</u>	<u>197</u>
	<u>61</u>	<u>2,756</u>	<u>30,755</u>	<u>2,802</u>

(i) The gain relates to Anvil's investment in Mawson West. Refer Note 10.

6. INCOME TAX

The income tax expense for the quarter includes a reassessment of prior year tax losses at Kinsevere after recent correspondence with the DRC taxation authorities. This has reduced previously recognized deferred tax assets by approximately \$6.1 million.

7. CASH AND CASH EQUIVALENTS

	September 30	December 31
	2011	2010
Cash at bank and in hand	33,781	30,896
Deposits at call	<u>6,688</u>	<u>25,519</u>
	<u>40,469</u>	<u>56,415</u>

8. TRADE AND OTHER RECEIVABLES

	September 30 2011	December 31 2010
Trade receivables (net of provision for doubtful debts)	16,094	6,116
Accrued interest income	95	98
Advances to suppliers and contractors	2,145	68
Current portion of long-term receivable — SNEL	3,771	2,538
Prepayments	9,006	2,224
Other	<u>2,268</u>	<u>1,944</u>
	<u>33,379</u>	<u>12,988</u>

Trade receivables are unsecured and subject to interest charges for any provisional receipts from the customer prior to settlement of final invoicing. Trade receivables in relation to sales of cathode copper, are usually settled between 10 and 70 days from the end of month of delivery, depending on the agreed quotational period.

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

9. OTHER FINANCIAL ASSETS

	September 30 2011	December 31 2010
Derivative financial instrument at fair value through profit and loss	—	182
Non-current equity instruments	<u>22,988</u>	<u>—</u>
	<u>22,988</u>	<u>182</u>

The non-current equity instruments represent shares held in Mawson West and are measured at fair value, as per the share price listed on the Toronto Stock Exchange. The investment has no fixed maturity date and is intended to be held for more than a year. At September 30, 2011, a loss of \$18.9 million was recorded in OCI representing the reduction in the current fair value of Mawson West shares.

10. INVESTMENT IN ASSOCIATE

	September 30	December 31
	2011	2010
Mawson West		
Ownership interest	—	25.5%
No. of shares	—	83,070,000
Carrying amount	<u>—</u>	<u>11,927</u>

On March 24, 2011 Mawson West simultaneously completed a 4:1 share consolidation and successfully completed an initial public offering (“IPO”) of 30,000,000 ordinary shares at a price of CAD2.00 per share. Prior to this transaction, Anvil held a 25.5% interest in Mawson West and previously accounted for this investment using the equity accounting method as an associate. The IPO diluted Anvil’s investment in Mawson West to 14.6%. Under IFRS, it has been determined that Anvil no longer holds significant influence over Mawson West and as a result, the investment is no longer classified as an investment in associate but reclassified at fair value as equity instruments (refer Note 9).

Movements in carrying amounts

	September 30	December 31
	2011	2010
Opening balance	11,927	—
Cost of investments acquired during the period	—	12,460
Share of gain/(loss)	1,116	(533)
Transfer to other financial assets	<u>(13,043)</u>	<u>—</u>
Carrying value at end of the period	<u>—</u>	<u>11,927</u>

11. LONG-TERM RECEIVABLE

	September 30	December 31
	2011	2010
Receivable from SNEL	<u>13,600</u>	<u>14,253</u>

The Group entered into a joint venture agreement with Ruashi to construct infrastructure necessary to ensure supply of the power required for the operation of the Kinsevere SX-EW plant. Under the terms of this agreement, Anvil agreed to provide \$18.1 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 Group's costs incurred in this development, plus interest, will be recovered through a series of monthly repayments over a five-year period that commenced in June 2011.

12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2011		
	Cost	Accumulated depletion, amortization and write-down	Net book value
Kinsevere			
Land and buildings	6,128	(3,231)	2,897
Plant and equipment	438,714	(74,123)	364,591
Mine property	134,256	(30,389)	103,867
Capital work in progress	<u>14,803</u>	<u>—</u>	<u>14,803</u>
	593,901	(107,743)	486,158
Mutoshi¹			
Land and buildings	2,270	(731)	1,539
Plant and equipment	6,740	(6,740)	—
Mine property	12,151	(8,108)	4,043
Capital work in progress	<u>4,635</u>	<u>—</u>	<u>4,635</u>
	25,796	(15,579)	10,217
Other²			
Land and buildings	3,025	(1,099)	1,926
Plant and equipment	4,953	(4,191)	762
Capital work in progress	<u>566</u>	<u>—</u>	<u>566</u>
	<u>8,544</u>	<u>(5,290)</u>	<u>3,254</u>
Total property, plant and equipment	<u>628,241</u>	<u>(128,612)</u>	<u>499,629</u>

	December 31, 2010		
	Cost	Accumulated depletion, amortization and write-down	Net book value
Kinsevere			
Land and buildings	6,125	(2,656)	3,469
Plant and equipment	74,983	(66,396)	8,587
Mine property	134,254	(23,500)	110,754
Capital work in progress	<u>351,744</u>	<u>—</u>	<u>351,744</u>
	567,106	(92,552)	474,554
Mutoshi¹			
Land and buildings	2,270	(730)	1,540
Plant and equipment	6,935	(6,935)	—
Mine property	12,151	(8,108)	4,043
Capital work in progress	<u>4,638</u>	<u>—</u>	<u>4,638</u>
	25,994	(15,773)	10,221
Other²			
Land and buildings	3,025	(880)	2,145
Plant and equipment	5,302	(3,849)	1,453
Capital work in progress	<u>330</u>	<u>—</u>	<u>330</u>
	<u>8,657</u>	<u>(4,729)</u>	<u>3,928</u>
Total property, plant and equipment	<u>601,757</u>	<u>(113,054)</u>	<u>488,703</u>

1. The Mutoshi 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.
2. The Other property, 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, Australia and Canada.

13. BORROWINGS

	September 30 2011	December 31 2010
Current portion of long-term debt at end of period	13,812	4,649
Long-term debt at end of period	<u>27,865</u>	<u>31,829</u>
	<u>41,677</u>	<u>36,478</u>

As at September 30, 2011 principal outstanding under the Loan Facility was \$43 million. Deferred borrowing costs of \$1.3 million relating to the establishment of the facility have been offset against the Loan Facility for presentation purposes.

14. FINANCIAL LIABILITIES

	September 30 2011	December 31 2010
Warrants at fair value through profit and loss	<u>24,894</u>	<u>38,669</u>

The warrants are measured at fair value applying the Black-Scholes option pricing model. The valuation is dependent on the risk-free interest rate, expected volatility and expected life of the warrant. The assumptions used in determining the fair value of warrants are as follows:

Risk- free interest rate:	1.15%
Expected life:	9 months
Expected volatility	58.07%

15. PROVISIONS

		September 30 2011	December 31 2010
Employee benefits — current	(i)	2,174	2,634
Employee benefits — non-current		152	144
Mine rehabilitation and closure provision — non-current		<u>21,475</u>	<u>20,847</u>
		<u>23,801</u>	<u>23,625</u>

- (i) The provision of employee benefits includes vested annual leave and long service leave entitlements accrued by employees. The vested long service leave entitlement amounts to \$0.04 million (December 31, 2010: \$0.52 million) but is not expected to be taken within the next 12 months.

16. COMMITMENTS**(a) Exploration expenditure commitments**

Outstanding exploration expenditure commitments contracted for as at September 30, 2011 were \$8.2 million (December 31, 2010: nil). 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 September 30, 2011 were \$11.6 million (December 31, 2010: \$39.1 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 royalty 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 September 30, 2011 the amount to be repatriated was \$3.2 million (December 31, 2010: nil).

17. EARNINGS PER SHARE FROM CONTINUING OPERATIONS

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

	3 Months ended September 30, 2011		
	Profit \$	No. of Shares	\$ per Share
Basic profit per share from continuing operations	2,944	156,809,069	0.02
Diluted profit per share from continuing operations	<u>2,944</u>	<u>160,644,074</u>	<u>0.02</u>

3 Months ended September 30, 2010
Profit \$ No. of Shares \$ per Share

Basic profit per share from continuing operations	958	150,205,265	0.01
Diluted profit per share from continuing operations	<u>958</u>	<u>153,881,194</u>	<u>0.01</u>

9 Months ended September 30, 2011
Profit \$ No. of Shares \$ per Share

Basic profit per share from continuing operations	39,622	156,809,069	0.25
Diluted profit per share from continuing operations	<u>39,622</u>	<u>160,327,888</u>	<u>0.25</u>

9 Months ended September 30, 2010
Profit \$ No. of Shares \$ per Share

Basic profit per share from continuing operations	16,050	150,258,288	0.11
Diluted profit per share from continuing operations	<u>16,050</u>	<u>154,091,300</u>	<u>0.10</u>

18. SUPPLEMENTARY CASH FLOW INFORMATION

	3 Months Ended		9 Months Ended	
	September 30		September 30	
	2011	2010	2011	2010
Changes to non-cash working capital				
Accounts receivable	(4,721)	(4,222)	(17,489)	1,130
Inventories	(12,879)	135	(26,278)	1,470
Accounts payable and accrued liabilities	1,702	(1,161)	(7,775)	(7,922)
Income taxes	(26)	(23)	(51)	26
Other liabilities	<u>635</u>	<u>(103)</u>	<u>(385)</u>	<u>(1,476)</u>
	<u>(15,289)</u>	<u>(5,374)</u>	<u>(51,978)</u>	<u>(6,772)</u>

19. CONTINGENCIES

On September 29, 2011 the Company entered into a binding agreement (the “Support Agreement”) with Minmetals Resources Limited (“Minmetals”), pursuant to which Minmetals agreed, subject to the terms of the Support Agreement, to make an offer to purchase all common shares of Anvil by way of a friendly take-over bid at a price of C\$8.00 per share in cash (the “Offer”). The Offer, which commenced on October 19, 2011 with the mailing to shareholders of Minmetals’ take-over bid circular and related documents, is open for acceptance until 8:00 pm (Toronto time) on November 24, 2011, unless the Offer is extended or withdrawn.

Under the terms of the Support Agreement, should the transaction not be completed, under certain circumstances Anvil will be liable to pay Minmetals a termination fee of C\$53 million. In addition, Minmetals has also agreed to pay a reverse break-fee of C\$20 million to Anvil, in certain circumstances.

Furthermore, on September 13, 2011 BMO Nesbitt Burns Inc. was engaged to provide various advisory services in connection with the Offer, the fee for which is contingent upon the successful completion of the Offer.

20. SUBSEQUENT EVENTS

Subsequent to the initial announcement of the Offer, Anvil has been advised by Gécamines that the completion of the Offer will result in a review of the financial terms of the lease agreement of the underlying mineral tenures for the Kinsevere Project, taking into account the current data on the tonnage of the Kinsevere deposit and the economic balance of the project for all parties and a review of the joint venture agreement in respect of the Mutoshi Project.

Anvil’s position is that there is no legal requirement for Gécamines’ approval in connection with the proposed change of control under any of its contractual documentation and that no legal right to renegotiate the contractual arrangements arises on the completion of the change of control. However, Gécamines will be given the right of pre-emption in connection with the Mutoshi Project, in which Minmetals and Anvil have previously agreed that Anvil’s 70% interest has a value of US\$52.5 million.

Subsequent to September 30, 2011, Anvil has also been advised by Minmetals that the Offer will not be completed unless the prior consent of Gécamines is obtained on terms satisfactory to Minmetals. Anvil and its advisors will continue to discuss these matters with Gécamines and Minmetals. However, in the absence of a solution which does not result in any material amendments to the contractual agreements with Gécamines, there is a risk that the Offer will not be completed. There can be no assurance that the conditions of the Offer will be satisfied, or that the Offer will be completed as proposed or at all.

- (2) The following is an extract of the audited financial statements of the Anvil Group for the year ended 31 December 2010, which were prepared in accordance with Canadian GAAP, from the 2010 annual report and financial statements of the Anvil Group. These financial statements were presented in thousands US dollars except for per share amounts and as otherwise stated.

Anvil's 2010 annual report and financial statements are available free of charge, in read only, printable format on the Anvil Group's website.

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.

(signed)

PricewaterhouseCoopers
Chartered Accountants
Perth, Australia

March 17, 2011

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	—
		<u>90,959</u>	<u>182,196</u>
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
		<u>584,987</u>	<u>439,312</u>
Total assets		<u>675,946</u>	<u>621,508</u>
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
		<u>36,812</u>	<u>16,395</u>

	Notes	December 31 2010 \$	December 31 2009 \$
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
		<u>56,118</u>	<u>41,674</u>
Total liabilities		<u>92,930</u>	<u>58,069</u>
Net assets		<u>583,016</u>	<u>563,439</u>
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		<u>585,902</u>	<u>563,179</u>
Non-controlling interest	24	(2,886)	260
Total equity		<u>583,016</u>	<u>563,439</u>
Nature of operations	1		
Commitments	26		
Subsequent events	30		

Approved by the Board of Directors

(Signed) William S. Turner

(Signed) Thomas C. Dawson

March 17, 2011

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

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		<u>(18,111)</u>	<u>(16,480)</u>
		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	<u>(3,250)</u>	<u>—</u>
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		<u>2,886</u>	<u>—</u>
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	<u>5,911</u>	<u>—</u>
Net income / (loss)		24,987	(20,920)
Other comprehensive income, net of taxes			
Net unrealized gains on available-for-sale investments		<u>—</u>	<u>2,206</u>
Total comprehensive income / (loss)		<u>24,987</u>	<u>(18,714)</u>
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.

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	<u>484,211</u>	<u>484,722</u>
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	<u>9,413</u>	<u>8,960</u>
Warrants			
Balance at beginning of period		16,665	—
Fair value of warrants issued		—	16,665
Balance at end of period	25	<u>16,665</u>	<u>16,665</u>
Equity accounts			
		<u>510,289</u>	<u>510,347</u>
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		<u>75,054</u>	<u>50,067</u>
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 unrealized gains on sale of available-for-sale investments		(2,206)	—
Balance at end of period		<u>559</u>	<u>2,765</u>
Shareholders' equity at end of period		<u>585,902</u>	<u>563,179</u>

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

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
		<u>17,665</u>	<u>5,306</u>
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
		<u>(115,811)</u>	<u>(45,621)</u>

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

		Year Ended December 31	
	Notes	2010	2009
		\$	\$
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)
		<u>34,498</u>	<u>120,866</u>
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)
		<u>—</u>	<u>(4,492)</u>
Net decrease in cash and cash equivalents from discontinued operations		<u>(896)</u>	<u>(4,492)</u>
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
		<u>206</u>	<u>142</u>
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	<u>—</u>	<u>(481)</u>
Cash and cash equivalents at the end of the period for continuing operations	11	<u>56,415</u>	<u>120,753</u>

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.

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’.

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 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 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-Schöles 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.

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	<u>14,253</u>	<u>15,468</u>
	<u>89,441</u>	<u>173,145</u>
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	<u>—</u>	<u>6,711</u>
	<u>65,986</u>	<u>19,698</u>

(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.

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 contacts 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).

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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:				
Derivative financial instrument	<u>—</u>	<u>182</u>	<u>—</u>	<u>182</u>
Total Liabilities	<u>—</u>	<u>182</u>	<u>—</u>	<u>182</u>
December 31, 2009	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets:				
Available-for-sale financial assets				
Equity securities	3,257	—	—	3,257
Debt investments	<u>—</u>	<u>14,813</u>	<u>—</u>	<u>14,813</u>
Total AFS assets	<u>3,257</u>	<u>14,813</u>	<u>—</u>	<u>18,070</u>
Liabilities:				
Derivative financial instrument	<u>—</u>	<u>586</u>	<u>—</u>	<u>586</u>
Total Liabilities	<u>—</u>	<u>586</u>	<u>—</u>	<u>586</u>

(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
	<u>29,508</u>	<u>49,332</u>	<u>78,840</u>

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.

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	—	—	—	—	—
	<u>12,037</u>	<u>387</u>	<u>586</u>	<u>7,198</u>	<u>20,208</u>

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:

- a) Have sufficient capital to develop and maximise returns from the Group’s mineral properties;
- b) Safeguard the Group’s ability to construct and commission the SX-EW plant;
- c) Continue to provide returns for shareholders; and
- d) 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

	Year Ended December 31	
	2010	2009
	\$	\$
Other income		
Interest income	2,181	1,115
Other income	249	207
Gain on sale of available-for-sale-investments	4,719	—
	<u>7,149</u>	<u>1,322</u>
Other expenses		
Settlement of termination of contract	<u>3,250</u>	<u>—</u>

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

	Year Ended December 31	
	2010	2009
	\$	\$
Interest and financing fees		
Interest	59	157
Financing costs	956	—
Accretion of asset retirement obligation	1,412	983
	<u>2,427</u>	<u>1,140</u>

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
	<u>—</u>	<u>2,876</u>
Write back of provision for impairment		
Reversal of impairment of AFS debt investments	<u>9,688</u>	<u>4,052</u>

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.

	Year Ended December 31	
	2010	2009
	\$	\$
Provision for impairment relating to long-lived assets		
Plant and Equipment		
Kinsevere (Electric-Arc Furnace ("EAF"), Heavy Media Separation ("HMS") Plant and Spirals Plant)	<u>—</u>	<u>315</u>
Provision for impairment relating to inventory (stores and consumables)		
Kinsevere (EAF, HMS and Spirals Plant)	<u>—</u>	<u>2,116</u>
Exploration and acquisition expenditure written off		
Exploration Expenditure ¹		
Mutoshi project	882	—
Kinsevere project	292	—
Philippines regional exploration project	—	3,225
Exploration various	<u>141</u>	<u>—</u>
	<u>1,315</u>	<u>3,225</u>

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

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	<u>—</u>	<u>(586)</u>
	<u>768</u>	<u>(586)</u>

At December 31, 2010, the Group held two forward contracts 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
	<u>—</u>	<u>2,114</u>
Non-current assets		
Restricted cash	—	424
Exploration and acquisition expenditure	—	2,299
Property, plant and equipment	1,204	2,433
	<u>1,204</u>	<u>5,156</u>
Total assets	<u><u>1,204</u></u>	<u><u>7,270</u></u>

	December 31 2010 \$	December 31 2009 \$
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	—	726
Loans payable	—	1,034
Other liabilities	—	2
Current portion of long-term debt	—	2
	<u>—</u>	<u>1,764</u>
Non-current liabilities		
Asset retirement obligations	—	983
	<u>—</u>	<u>983</u>
Total liabilities	<u>—</u>	<u>2,747</u>

The financial performance for the year was:

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

8. INCOME TAX

	December 31 2010 \$	December 31 2009 \$
(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	<u>7,865</u>	<u>(20,974)</u>
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	<u>(2,897)</u>	<u>(863)</u>
Taxation (benefit)	<u>(9,221)</u>	<u>(3,299)</u>
Comprising:		
- Current income taxes	1,076	84
- Future income taxes	<u>(10,297)</u>	<u>(3,383)</u>
(b) Future Income Tax		
Future income tax liabilities		
Exploration expenditure	10,113	10,078
Mining property	27,966	27,399
Other	<u>126</u>	<u>49</u>
	38,205	37,526
Future income tax assets	<u>(27,454)</u>	<u>(16,478)</u>
Net future income tax liability	<u>10,751</u>	<u>21,048</u>

	December 31 2010 \$	December 31 2009 \$
Future income tax assets		
Non-capital loss carry forwards	50,023	33,460
Inventory, Property, Plant & Equipment and other	<u>(464)</u>	<u>615</u>
	49,559	34,075
Less: Valuation allowance	(22,105)	(17,597)
Less: Deducted from future income tax liabilities	<u>(27,454)</u>	<u>(16,478)</u>
Net future tax asset	<u>—</u>	<u>—</u>

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.

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%.

9. DEFERRED FINANCING FEES

	December 31 2010	December 31 2009
	\$	\$
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	<u>(5,624)</u>	<u>—</u>
	<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).

10. OTHER NON-CURRENT LIABILITY

	December 31 2010	December 31 2009
	\$	\$
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'	<u>(7,198)</u>	<u>—</u>
	<u>—</u>	<u>6,711</u>

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

11. CASH AND CASH EQUIVALENTS

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

12. RESTRICTED CASH

	December 31 2010	December 31 2009
	\$	\$
Deposits held as security for Kinsevere Stage II project	7,314	—
Mine rehabilitation deposits — non current	<u>513</u>	<u>887</u>
	<u>7,827</u>	<u>887</u>

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.

13. TRADE AND OTHER RECEIVABLES

	December 31 2010	December 31 2009
	\$	\$
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	<u>853</u>	<u>1,716</u>
	<u>10,764</u>	<u>17,967</u>

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:

	December 31 2010	December 31 2009
	\$	\$
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	<u>(7,592)</u>	<u>(183)</u>
Closing Balance	<u>—</u>	<u>7,592</u>

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:

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

(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.

14. INVENTORIES

	December 31 2010	December 31 2009
	\$	\$
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	<u>158</u>	<u>1,589</u>
	27,169	25,383
Less: Non-current (low-grade ore stockpiles) — at cost	<u>(13,109)</u>	<u>(11,163)</u>
Current Portion of Inventory	<u>14,060</u>	<u>14,220</u>

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.

15. AVAILABLE-FOR-SALE INVESTMENTS

	December 31 2010	December 31 2009
	\$	\$
At cost:		
Current available-for-sale investments	—	1,487
Non-current available-for-sale investments	<u>—</u>	<u>30,874</u>
	<u>—</u>	<u>32,361</u>
At fair value:		
Current available-for-sale investments	—	1,243
Non-current available-for-sale investments	<u>—</u>	<u>16,827</u>
	<u>—</u>	<u>18,070</u>

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

16. PREPAID EXPENSES AND DEPOSITS

	December 31 2010	December 31 2009
	\$	\$
Prepayments to creditors and sub-contractors	654	24,471
Prepaid expenses — Other	1,176	1,053
Deposits to suppliers	<u>394</u>	<u>375</u>
	<u><u>2,224</u></u>	<u><u>25,899</u></u>

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	<u>—</u>	<u>(875)</u>
Carrying value at end of the period	<u><u>11,927</u></u>	<u><u>—</u></u>

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").

18. LONG-TERM RECEIVABLES

	December 31 2010	December 31 2009
	\$	\$
Receivable from Société Nationale d'Électricité ("SNEL") — Ruashi Project	14,253	14,457
Receivable from SNEL — Pweto Project	<u>—</u>	<u>1,011</u>
	<u>14,253</u>	<u>15,468</u>

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.

19. EXPLORATION AND ACQUISITION EXPENDITURE

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

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.

20. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2010		
	Cost	Accumulated depletion, amortization and write-down	Net book value
	\$	\$	\$
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	<u>350,063</u>	<u>—</u>	<u>350,063</u>
	559,499	(90,064)	469,435
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	<u>4,638</u>	<u>—</u>	<u>4,638</u>
	24,981	(15,773)	9,208
Services ⁴			
Land and buildings	2,022	(582)	1,440
Plant and equipment	<u>2,233</u>	<u>(1,477)</u>	<u>756</u>
	4,255	(2,059)	2,196
Corporate and other ⁵	<u>4,401</u>	<u>(2,670)</u>	<u>1,731</u>
	<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.

	December 31, 2009		
	Cost	Accumulated depletion, amortization and write-down	Net book value
	\$	\$	\$
Kinsevere¹			
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	<u>174,059</u>	<u>—</u>	<u>174,059</u>
	385,596	(76,677)	308,919
Mutoshi²			
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	<u>4,601</u>	<u>—</u>	<u>4,601</u>
	25,262	(14,967)	10,295
Services³			
Land and buildings	2,023	(372)	1,651
Plant and equipment	3,966	(2,451)	1,515
Capital work in progress	<u>104</u>	<u>—</u>	<u>104</u>
	6,093	(2,823)	3,270
Corporate and other ⁴	<u>3,910</u>	<u>(1,832)</u>	<u>2,078</u>
Total Property, plant and equipment	<u>420,861</u>	<u>(96,299)</u>	<u>324,562</u>
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	<u>97</u>	<u>—</u>	<u>97</u>
	<u>59,921</u>	<u>(57,488)</u>	<u>2,433</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 for Gécamines in relation to the DRC Government review of mining agreements.
2. 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.
3. 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.
4. The Corporate and other assets are all located in Australia and North America.
5. 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.

21. TRADE AND OTHER PAYABLES

	December 31	December 31
	2010	2009
	\$	\$
Trade creditors	9,114	7,701
Due to Gécamines	7,198	—
Creditor and other accruals	<u>13,196</u>	<u>4,336</u>
	<u>29,508</u>	<u>12,037</u>

22. LONG-TERM DEBT

	December 31 2010 \$	December 31 2009 \$
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)	—
	<u>4,649</u>	<u>290</u>
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)	—
	<u>31,829</u>	<u>74</u>
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	<u>536</u>	<u>861</u>
Asset retirement obligation at end of year	<u>13,394</u>	<u>12,858</u>

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).

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	<u>(585)</u>	<u>—</u>
Balance — end of period	<u>—</u>	<u>260</u>
(b) SMK — non-controlling interest		
Balance — beginning of period	—	—
Interests in net earnings of SMK	<u>(1,160)</u>	<u>—</u>
Balance — end of period	<u>(1,160)</u>	<u>—</u>
(c) AMCK — non-controlling interests		
Balance — beginning of period	—	—
Interests in net earnings of AMCK	<u>(1,726)</u>	<u>—</u>
Balance — end of period	<u>(1,726)</u>	<u>—</u>
Total non-controlling interests — end of period	<u><u>(2,886)</u></u>	<u><u>260</u></u>
(d) Social development expenditure		
Social development expenses in operating expenses (Kinsevere)	<u>824</u>	<u>743</u>
Total social development expenditure	<u><u>824</u></u>	<u><u>743</u></u>

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	<u>150,345,480</u>	<u>484,211</u>	<u>150,353,159</u>	<u>484,722</u>
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		<u>9,413</u>		<u>8,960</u>
Warrants (refer note 25(c))		<u>16,665</u>		<u>16,665</u>
Equity Accounts		<u>510,289</u>		<u>510,347</u>

(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.

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).

	December 31, 2010		December 31, 2009	
	No. of	Weighted	No. of	Weighted
	Shares	Average	Shares	Average
Outstanding stock options		Exercise		Exercise
		Price		Price
Canadian Dollar based options¹				
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	<u>(225,000)</u>	<u>C\$6.37</u>	<u>(871,590)</u>	<u>C\$6.39</u>
Outstanding at the end of the period	<u>4,124,385</u>	<u>C\$4.17</u>	<u>4,284,385</u>	<u>C\$10.49</u>
Options vested and outstanding at the end of the period	<u>3,539,065</u>	<u>C\$4.13</u>	<u>2,082,382</u>	<u>C\$5.15</u>

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

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FINANCIAL INFORMATION OF ANVIL GROUP

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	<u>4,124,385</u>	<u>29</u>	<u>C\$4.17</u>	<u>3,539,065</u>	<u>23</u>	<u>C\$4.13</u>

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	<u>4,284,385</u>	<u>34</u>	<u>C\$4.15</u>	<u>2,082,382</u>	<u>40</u>	<u>C\$5.15</u>

(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	<u>11,228,320</u>	<u>C\$2.75</u>	<u>16,665</u>

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.

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

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	<u>(15,626)</u>	<u>(1,097)</u>	<u>(1,388)</u>	<u>—</u>	<u>(18,111)</u>
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	<u>(14,108)</u>	<u>(1,107)</u>	<u>(10,887)</u>	<u>11,356</u>	<u>(14,746)</u>
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	<u>1,726</u>	<u>1,160</u>	<u>—</u>	<u>—</u>	<u>2,886</u>
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	<u>—</u>	<u>—</u>	<u>5,911</u>	<u>—</u>	<u>5,911</u>
Segmented (loss) / profit	<u>(44,460)</u>	<u>(4,079)</u>	<u>73,526</u>	<u>—</u>	<u>24,987</u>
Property, plant and equipment	469,435	9,208	3,927	—	482,570
Total assets	552,380	50,429	73,137	—	675,946
Capital expenditures	<u>138,934</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>138,934</u>

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

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

	Year Ended December 31 2009				Total continuing	Discontinued	Total
	Kinsevere	Mutoshi	CDA Inter-segment		operations	operations (Dikulushi)	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.

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	<u>53,213</u>	<u>23,301</u>
	<u>675,946</u>	<u>614,238</u>

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	2009
	\$	\$
Revenues — Geographical reporting		
Democratic Republic of Congo	<u>60,149</u>	<u>49,235</u>

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	<u>19,972</u>	<u>154,756,802</u>	<u>0.13</u>

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

29. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31	
	2010	2009
	\$	\$
(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	<u>1,383</u>	<u>(360)</u>
	<u>1,466</u>	<u>4,468</u>
(b) Other information		
Interest paid	(59)	(160)
Interest received	2,297	1,393
Income tax paid	<u>(767)</u>	<u>—</u>

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”).

APPENDIX II**FINANCIAL INFORMATION OF ANVIL 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:

Condensed Statement of Earnings	Closed Group		Extended Closed Group¹	
	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	49,235
Cost of operations	—	—	(33,290)	(39,779)
Amortization	<u>(3)</u>	<u>—</u>	<u>(18,111)</u>	<u>(16,480)</u>
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	<u>(35)</u>	<u>(88)</u>	<u>(2,427)</u>	<u>(1,140)</u>
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	<u>—</u>	<u>—</u>	<u>2,886</u>	<u>—</u>

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

Condensed Statement of Earnings	Closed Group		Extended Closed Group ¹	
	Year Ended	Year Ended	Year Ended	Year Ended
	December 31	December 31	December 31	December 31
	2010	2009	2010	2009
	\$	\$	\$	\$
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	<u>(67,849)</u>	<u>(80,743)</u>	<u>75,054</u>	<u>51,067</u>

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

Condensed balance sheets	Closed Group		Extended Closed Group ¹	
	December 31	December 31	December 31	December 31
	2010	2009	2010	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	—
	<u>32,320</u>	<u>3,346</u>	<u>90,959</u>	<u>182,196</u>
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
	<u>414,238</u>	<u>429,375</u>	<u>584,987</u>	<u>439,312</u>
Total assets	<u>446,558</u>	<u>432,721</u>	<u>675,946</u>	<u>621,508</u>

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

Condensed balance sheets	Closed Group		Extended Closed Group ¹	
	December 31	December 31	December 31	December 31
	2010	2009	2010	2009
	\$	\$	\$	\$
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
	<u>3,559</u>	<u>352</u>	<u>36,812</u>	<u>16,395</u>
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
	—	—	<u>56,118</u>	<u>41,674</u>
Total liabilities	<u>3,559</u>	<u>352</u>	<u>92,930</u>	<u>58,069</u>
Net assets	<u>442,999</u>	<u>432,369</u>	<u>583,016</u>	<u>563,439</u>

Condensed balance sheets	Closed Group		Extended Closed Group ¹	
	December 31	December 31	December 31	December 31
	2010	2009	2010	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	<u>—</u>	<u>—</u>	<u>(2,886)</u>	<u>260</u>
Total equity	<u>442,999</u>	<u>432,369</u>	<u>583,016</u>	<u>563,439</u>

- 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.

- (3) The following is an extract of the audited financial statements of the Anvil Group for the year ended 31 December 2009, which were prepared in accordance with Canadian GAAP, from the 2009 annual report and financial statements of the Anvil Group. These financial statements were presented in thousands US dollars except for per share amounts and otherwise stated.

Anvil's 2009 annual report and financial statements are available free of charge, in read only, printable format on the Anvil Group's website.

Management's Responsibility for Financial Reporting

The accompanying Consolidated Financial Statements include the accounts of Anvil, consolidated with the accounts of all of its subsidiaries as at the financial statement date, prepared by management in conformity with generally accepted accounting principles of Canada and where appropriate, reflect managements' best estimates and judgments based on currently available information. Management acknowledges its responsibility for the preparation and fair presentation of the consolidated financial statements, including significant accounting judgments, estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

Management has developed and maintains adequate internal controls over financial reporting, designed to provide reasonable assurance that relevant and reliable information is produced on a reasonable and cost effective basis.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

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

(Signed) William S. Turner

(Signed) Craig R. Munro

President and Chief Executive Officer

Senior Vice President Corporate and Chief
Financial Officer

March 18, 2010

Auditors' Report to the Shareholders of Anvil Mining Limited

We have audited the consolidated balance sheets of Anvil Mining Limited (“the Company”) as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)
PricewaterhouseCoopers
Chartered Accountants
Perth, Australia

March 18, 2010

Consolidated Balance Sheets

	Notes	December 31 2009 \$	December 31 2008 \$
ASSETS			
Current assets			
Cash and cash equivalents	11	120,753	45,033
Accounts receivable	13	17,967	24,243
Inventories	14	14,220	31,064
Available-for-sale (“AFS”) investments	15	1,243	24,032
Prepaid expenses and deposits	16	25,899	51,258
Current assets classified as held for sale	7	<u>2,114</u>	<u>—</u>
		<u>182,196</u>	<u>175,630</u>
Non-current assets			
Restricted cash	12	887	871
Equity accounted investment	17	—	1,320
Available-for-sale (“AFS”) investments	15	16,827	—
Deferred financing fees	9	2,865	—
Long-term inventory	14	11,163	10,651
Long-term receivable	18	15,468	12,464
Exploration and acquisition expenditure	19	62,384	51,352
Property, plant and equipment	20	324,562	280,334
Non-current assets classified as held for sale	7	<u>5,156</u>	<u>—</u>
		<u>439,312</u>	<u>356,992</u>
Total assets		<u><u>621,508</u></u>	<u><u>532,622</u></u>

	Notes	December 31 2009 \$	December 31 2008 \$
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	21	12,037	34,731
Derivative financial instrument	6	586	—
Income taxes payable		6	463
Provisions		1,712	2,460
Current portion of long-term debt		290	362
Current portion of liabilities directly associated with non-current assets classified as held for sale	7	<u>1,764</u>	<u>—</u>
		<u>16,395</u>	<u>38,016</u>
Non-current liabilities			
Future income tax liability	8	21,048	24,431
Other non-current liability	10	6,711	—
Long-term debt		74	321
Asset retirement obligations	22	12,858	12,980
Non-current portion of liabilities directly associated with non-current assets classified as held for sale	7	<u>983</u>	<u>—</u>
		<u>41,674</u>	<u>37,732</u>
Total liabilities		<u>58,069</u>	<u>75,748</u>
Non-controlling interest	23	<u>260</u>	<u>1,909</u>
		<u>58,329</u>	<u>77,657</u>

Consolidated Balance Sheets

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

Approved by the Board of Directors

(signed)

William S. Turner

(signed)

Thomas C. Dawson

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

Consolidated Statement of Income and Comprehensive Income

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

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

Consolidated Statements Of Changes In Shareholders' Equity

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

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

Consolidated Statement of Cash Flows

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

	Notes	Year Ended December 31	
		2009	2008
		\$	\$
Cash flows from discontinued operations			
Cash flows from operating activities		(3,140)	—
Cash flows from investing activities		65	—
Cash flows from financing activities		<u>(1,417)</u>	<u>—</u>
Net increase / (decrease) in cash and cash equivalents from discontinued operations		<u>(4,492)</u>	<u>—</u>
Net increase / (decrease) in cash and cash equivalents		76,059	(170,793)
Cash and cash equivalents at beginning of period		45,033	215,754
Effects of exchange rate changes on cash held in foreign currencies		<u>142</u>	<u>72</u>
Total cash and cash equivalents at end of period		121,234	45,033
Less cash and cash equivalents at end of period relating to discontinued operations (note 7)		<u>(481)</u>	<u>—</u>
Cash and cash equivalents at end of period for continuing operations		<u>120,753</u>	<u>45,033</u>

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

NOTES TO THE FINANCIAL STATEMENTS**1. NATURE OF OPERATIONS**

Anvil Mining Limited (“Anvil” or the “Company”) and its subsidiaries (together referred to as “Group” or “Anvil”) operate in one operating segment, namely the acquisition, exploration, development and mining of mineral properties. The Company’s principal assets are a 95% interest in the Kinsevere-Nambulwa copper project (“Kinsevere”), a 70% interest in the Kulu copper mine (the “Mutoshi mine”), a 90% interest in the Dikulushi copper-silver mine (the “Dikulushi mine”), and the associated Dikulushi, Mutoshi and Kinsevere-Nambulwa exploration tenements situated in the Democratic Republic of Congo (“DRC”). Anvil also holds interests in other exploration properties in the DRC and Zambia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Basis of Preparation and Presentation**

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

b) Basis of Consolidation

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

c) Use of estimates

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

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

(i) *Estimated mineral reserves*

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

(ii) *Estimated impairment of long-lived assets*

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

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

(iii) *Useful lives of property, plant and equipment and mine properties*

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

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

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

(iv) *Fair values of financial instruments*

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. These valuations are sensitive to changes in underlying assumptions such as discount rates and credit

spreads. Experience adjustments in future periods to these assumptions may materially change recorded amounts. Such adjustments may result from changes in the market's pricing of risk, credit standing of individual counterparties, default rates and other market based factors. Where quoted market prices in active markets are available, these are used.

d) Foreign currency translations

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

Transactions denominated in foreign currencies (currencies other than the functional currency) are translated into the functional currency, by applying to the foreign currency amount the spot exchange rate between the foreign currency and the functional currency at the date of the underlying transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity and categorised as 'other comprehensive income' (for all non-monetary items where a gain or loss is recognized in other comprehensive income).

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

e) Revenue recognition & measurement

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

f) Cash and cash equivalents

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

g) Receivables

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

h) Inventories

Inventories of broken ore and concentrate are physically measured by estimating the number of tonnes added and removed from the stockpile, the number of contained pounds of copper (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method) and valued at the lower of cost and net realizable value (“NRV”). Ore stockpile that will not be processed within 12 months after the balance sheet date is classified as non-current asset under the category ‘long-term inventory’.

Cost represents weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortization.

Inventories of consumable supplies and spare parts to be used in production are valued at the lower of cost and NRV.

Obsolete or damaged inventories are valued at NRV. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

i) Transaction costs

Costs incurred (including the fair value of shares and options granted) to obtain long-term debt or finance facilities are deferred and amortized over the respective terms of the underlying debt, on its drawdown. Where it is expected a portion of the debt will not be drawn down, the related fees, representing fees paid for liquidity services are amortized over the term of the loan.

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

j) Deferred mining costs

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the costs of inventory produced in the period in which they are incurred, except when the charges represent a 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 commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are likely to be realized, otherwise such expenditure is classified as part of the cost of production.

Amortization of Mine Property costs is provided on the unit-of-production method with separate calculations being made for each mineral resource. Mineral resources are proved and probable reserves. Changes in the commercial reserves affecting unit-of-production calculations are dealt with prospectively over the revised remaining reserves.

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

Other Property, Plant and Equipment

The cost of each item of buildings, fixed plant, mobile machinery and equipment is written off over its expected useful life. Either the units-of-production or straight-line method may be used. The unit-of-production basis results in an amortization charge proportional to the depletion of the recoverable mineral resources. Each item's economic life has due regard to both its own physical life limitations and to present assessment of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, fixed plant and mobile machinery and equipment, with annual reassessments for major items.

The expected useful lives are as follows:

- mine buildings — the shorter of applicable mine life on units-of-production basis and 15 years
- fixed plant — the shorter of applicable mine life on units-of-production basis and 15 years
- mobile machinery and equipment — the shorter of applicable useful life and 7 years, depending on the nature of the asset

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

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The carrying amount is compared to undiscounted cash flows. Where the carrying amount exceeds these cash-flows, the carrying values are written down to fair value.

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

m) **Asset retirement obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. The Group records this obligation at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the

Group's credit adjusted risk-free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted over time to its full value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset.

n) **Income tax**

The Group accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using tax rates expected to be recovered or settled. Future tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. The effect on future tax assets and liabilities of changes in tax rates is recognized in income in the year in which the change is applied.

o) **Earnings (loss) per share**

The Group follows the "treasury stock" method in calculating diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued, assuming "in the money" options and warrants were exercised and the proceeds used to repurchase common shares at a weighted average market price.

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

p) **Stock-based compensation**

The Group accounts for stock options granted to employees and directors using the fair value method. For option awards, fair value is measured at the grant date using a Black-Scholes valuation model and is recognized as a charge to compensation expense and an increase in contributed surplus over the vesting period of the options granted. Cash consideration received from employees and directors when they exercise the option is credited to share capital including the amount of contributed surplus for the respective options exercised.

q) **Investments**

(i) *Available-for-sale investments*

Investment in marketable securities are classified as available-for-sale and recorded at fair value. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Changes in their fair value, net of tax, are recorded in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired, or when it relates to the reversal of an available-for-sale investment. Valuations of the

investments have been determined based on a hierarchy of valuation principles, which have been applied based on publicly available information. The valuation approach applied is as follows:

- fair values of instruments traded in active markets are based on quoted market prices at the reporting date.
- where instruments are not traded in an active market, fair value is determined using valuation techniques taking into account market information for financial instruments with similar characteristics as the underlying instrument being valued.
- where there is no comparable market information to determine the fair value of the instrument, fair value is calculated using other techniques, such as estimated discounted cash flows using contractual terms of the instrument, discount rates considered appropriate for the credit risk of the instrument and the current volatility in the market place.

When information or events indicate other than a temporary decline in value, the impairment loss is taken to the income statement in the period in which such events occur. Impairment losses recognized in net income for available-for-sale equity financial instruments classified as available for sale are not reversed. Impairment losses in available-for-sale debt financial instruments are reversed in the income statement, where the events or circumstances leading to the impairment subsequently reverse.

(ii) *Equity accounted investments*

Investments in which the Group has significant influence but does not have control are accounted for using the equity method. Under the equity method the investment is initially recorded at cost and the carrying value is adjusted thereafter, semi-annually in arrears, to reflect the Group's pro-rata share of post acquisition income or loss. The amount of adjustment is included in the determination of net income of the Group, and the investment account of the Group is also increased or decreased to reflect the Group's share of capital transactions and changes in accounting policies. The carrying values of equity investments are regularly reviewed against market values, based on closing prices of recognized security exchanges, to ensure there is no impairment. When there is a loss in value other than temporary decline, the investment is written down to recognize the loss.

r) **Trade and other payables**

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

s) **Impairment**

The Group performs impairment tests on property, plant and equipment, mineral properties and mine development costs when events or changes in circumstances occur that indicate the value of the assets may not be recoverable. Where information is available and conditions suggest impairment,

estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources, and operating, capital and reclamation costs on an undiscounted basis. When estimated future cash flows are less than the carrying value, the project is considered impaired. Reductions in the carrying value of a mine or development project are recorded to the extent the net book value exceeds the discounted estimated future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered.

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

t) **Employee benefits**

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

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

(ii) *Long service leave*

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

(iii) *Share-based payments*

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

(iv) *Defined contribution superannuation funds*

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

u) Derivative activities

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

v) Significant accounting changes

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

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

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This Abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations, when testing for impairment of mineral exploration properties in the period and no impairment adjustments were required.

In June 2009, the CICA amended the financial instruments — Disclosures section 3862 to require enhanced disclosure about the fair value assessments of the financial instruments. The new disclosures are based on a fair value hierarchy that categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate the fair values. The amendments apply to annual financial statements for fiscal years ending after September 30, 2009. The Company has adopted these disclosures effective in the December 31, 2009 annual financial statements (note 3(a)).

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

w) New Accounting changes*Business Combinations*

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

Non-controlling Interests

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

3. FINANCIAL RISK MANAGEMENT

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

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

Financial assets

	December 31 2009	December 31 2008
	\$	\$
Cash and cash equivalents	120,753	45,033
Restricted cash	887	871
Accounts receivable	17,967	24,243
Available-for-sale investments: Current	1,243	24,032
Available-for-sale investments: Non-current	16,827	—
Long-term receivable	<u>15,468</u>	<u>12,464</u>
	<u>173,145</u>	<u>106,643</u>

Financial liabilities

Accounts payable and accrued liabilities	12,037	34,731
Derivative Financial Instrument	586	—
Long-term borrowings	364	683
Other non-current liability	<u>6,711</u>	<u>—</u>
	<u>19,698</u>	<u>35,414</u>

(a) **Market Risk**

(i) *Foreign Exchange Risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar against Australian dollar, South African Rand, Canadian Dollar, Congolese Franc and to lesser extent against Philippine Peso and Zambian Kwacha. Anvil is exposed to the currency risk on cash and cash equivalents (including restricted cash), accounts payables and accrued liabilities, and some available-for-sale investments.

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

As at December 31, 2009, with other variables unchanged, a plus or minus 10% change in the value of the US dollar against other currencies would have an affect of \$0.1 million on net income and equity for the period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as performed in 2008.

(ii) *Commodity Price Risk*

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

(iii) *Securities Price Risk*

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

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

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

The table below summarises the diversified portfolio of available-for-sale investments by credit exposure as at December 31, 2009.

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

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

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

Asset Backed Securities:

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

Equity backed securities:

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

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

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

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

(iv) *Interest Rate Risk*

The Group's main interest rate risk arises from available-for-sale investments and short-term deposits. The Asset Backed Security category of the available-for-sale investments are managed as a portfolio by an external consultant who operates under the guidance and instructions from

management subject to policies mandated by the Board. The Group has significant cash balances and very little interest-bearing debt. The Group's current policy is to invest excess cash in short-term deposits with major international banks. The Group periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

As at December 31, 2009, with other variables unchanged, a plus or minus 1% change in interest rates, on investments whose interest rates are not fixed, would affect net income by plus or minus \$1.2 million for the year.

(b) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group's primary counterparties related to its available-for-sale investments carry investment grade ratings of BBB+ or above. The Group manages credit risk for trade and other receivables through established credit monitoring activities. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group's maximum exposure to credit risk at the reporting date is the carrying value of receivables, cash and cash equivalents and available-for-sale investments. Credit risk is managed as noted in notes 11(a), 13(d), and 15(a) with respect to cash, receivables, and securities in the available-for-sale investment portfolio respectively.

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Group. The Group believes that its maximum exposure to credit risk as at December 31, 2009 and 2008 is the carrying value of its trade receivables.

Concentrate produced at the Group's operating Kinsevere mine is sold to a small number of metal traders with whom the Group has established long-term relationships. Limited amounts are occasionally sold locally on an ad hoc basis. The payment terms vary and provisional payments are normally received within 2-4 weeks after delivery, in accordance with the industry practice, with final settlement up to four months following the date of shipment. For the year ended December 31, 2009 and 2008, the Group derives approximately 90% of its revenues from one major customer.

(c) Liquidity Risk

As at December 31, 2009 the Company had \$120.8 million in cash, \$18.1 million in available-for-sale investments, \$17.9 million in trade receivables, and practically no debt.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

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

(d) **Maturities of Financial Liabilities**

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

Financial liabilities at year ended December 31, 2009.

	Accounts Payable & Accruals¹	Bank Loans	Derivative financial instrument³	Other non-current²	Total
Within one year	12,037	312	586	—	26,674
In one to two years	—	75	—	7,198	7,273
In two to three years	—	—	—	—	—
	<u>12,037</u>	<u>387</u>	<u>586</u>	<u>7,198</u>	<u>33,947</u>
Effect of discount rates	—	(23)	—	(487)	(510)
Off balance sheet item	—	—	—	—	<u>(13,739)</u>
Balance sheet carrying value	<u>12,037</u>	<u>364</u>	<u>586</u>	<u>6,711</u>	<u>19,698</u>

1 The Accounts payable balance includes a *Pas de Porte* (entry premium) payable amount of \$5 million to be paid in January 2010 to La Générale des Carrières et des Mines (“Gécamines”). This is in relation to Kinsevere.

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

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

Financial liabilities at year ended December 31, 2008.

	Accounts Payable & Accruals	Bank Loans	Entry Premium¹	Total
Within one year	34,731	442	10,000	85,145
In one to two years	—	312	5,000	5,312
In two to three years	<u>—</u>	<u>52</u>	<u>—</u>	<u>52</u>
	34,731	806	15,000	90,509
Effect of discount rates	—	(123)	—	(123)
Off balance sheet item	<u>—</u>	<u>—</u>	<u>(15,000)</u>	<u>(54,272)</u>
Balance sheet carrying value	<u>34,731</u>	<u>683</u>	<u>—</u>	<u>35,414</u>

1 An additional “pas de porte” (entry premium) payment of \$15 million relates to the amendment agreement reached with Gécamines on the Kinsevere Lease Agreement.

(e) **Fair Value Estimation**

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

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

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

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

4. CAPITAL RISK MANAGEMENT

Effective May 1, 2008, the Company adopted CICA Handbook section 1535, “Capital Disclosures”, which requires the disclosure of an entity’s objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance.

The Group’s objectives when managing capital are to:

- a) Have sufficient capital to develop and maximise returns from the Group’s mineral properties;
- b) Safeguard the Group’s ability to construct and commission the SX-EW plant;
- c) Continue to provide returns for shareholders; and
- d) Safeguard the Group’s ability to continue as a going concern.

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

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

5. OTHER INCOME

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

Long-lived assets including deferred mining costs, exploration, evaluation and development expenditure, property plant and equipment and mine properties are initially recognized in the financial statements in accordance with the Group's accounting policies set out in note 2. These long-lived assets are also tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the year ended December 31, 2009, the Company undertook a review of long-lived assets for Mutoshi only, as a result of obligations from the mining review and Mutoshi continuing to be on care and maintenance. The group primarily used discounted cash flows (income approach) to determine the fair value of its long-lived assets subject to impairment. The discounting of future cash flows requires management to make estimates and use assumptions which include, but are not limited to, forecast metal prices, discount rates, operating costs, exchange and inflation rates and the estimated useful life of the assets.

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

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

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

	Year Ended December 31	
	2009	2008
	\$	\$
Provision for impairment relating to long lived assets		
Mineral Properties		
Mutoshi (Kulu River Project)	—	4,397
Dikulushi (Underground development and processing plant)	—	18,165
Plant & Equipment		
Kinsevere (Electric-Arc Furnace (“EAF”), HMS and Spirals Plant)	315	26,626
Mutoshi (HMS plant)	—	654
Dikulushi (flotation circuit, mobile equipment) ⁽³⁾	—	11,458
Land & Buildings		
Dikulushi (Camp & Buildings)	—	811
 Total Long lived asset impairment	 <u>315</u>	 <u>62,111</u>
 Provision for impairment relating to inventory (stores and consumables)		
Kinsevere (EAF, HMS & Spirals Plant)	2,116	3,017
Mutoshi (HMS Plant)	—	330
Dikulushi (Underground & Process Plant spares) ⁽³⁾	—	7,791
	<u>2,116</u>	<u>11,138</u>

	Year Ended December 31	
	2009	2008
	\$	\$
Exploration and acquisition expenditure written off		
Exploration Expenditure ⁽¹⁾		
Dikulushi mine and regional projects ⁽³⁾	—	(9,908)
Mutoshi projects	—	(3,985)
Kinsevere-Nambulwa projects	—	(1,561)
Philippines regional exploration projects	<u>(3,225)</u>	<u>(2,500)</u>
	(3,225)	(17,954)
Acquisition expenditure ⁽²⁾		
Mutoshi projects	—	(11,879)
Kinsevere-Nambulwa projects	<u>—</u>	<u>(1,457)</u>
	—	(13,336)
Total Exploration Expenditure written off		
Dikulushi mine and regional projects ⁽³⁾	—	(9,908)
Mutoshi projects	—	(15,864)
Kinsevere-Nambulwa projects	—	(3,018)
Philippines regional exploration projects	<u>(3,225)</u>	<u>(2,500)</u>
	<u>(3,225)</u>	<u>(31,290)</u>

- 1 Refers to exploration expenditure directly incurred by the Group on tenements as part of general exploration activity.
- 2 Refers to the fair value of exploration property acquired.
- 3 Dikulushi has been classified as a discontinued operation held for sale at year end. Impairment in relation to Dikulushi (flotation circuit, mobile equipment) during the year was \$0.4 million (2008: \$11.5 million). No further impairment was recognized for Dikulushi.

6. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2009 \$
Forward metal price contracts — held for trading	<u>586</u>
	<u><u>586</u></u>

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

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

- a floor price of \$2.50 per pound (\$5,500 per tonne — put strike); and
- a cap price of \$3.53 per pound (\$7,775 per tonne — call strike)

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

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

7. DISCONTINUED OPERATIONS CLASSIFIED AS ‘HELD FOR SALE’.

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

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

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

	December 31, 2009
	\$
ASSETS	
Current assets	
Cash and cash equivalents	481
Accounts receivable	1,132
Prepaid expenses and deposits	<u>501</u>
	2,114
Non-current assets	
Restricted cash	424
Exploration and acquisition expenditure	2,299
Property, plant and equipment	<u>2,433</u>
	5,156
Total assets	<u>7,270</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	726
Loans payable	1,034
Other liabilities	2
Current portion of long-term debt	<u>2</u>
	1,764
Non-current liabilities	
Asset retirement obligations	<u>983</u>
	983
Total liabilities	<u>2,747</u>

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

8. INCOME TAX

	Year Ended December 31 2009 \$	Year Ended December 31 2008 \$
(a) The income taxes shown in the consolidated statement of earnings differ from amounts calculated by applying the statutory rates to earnings before provision for income taxes due to the following:		
Loss before income tax and non-controlling interest	<u>(20,974)</u>	<u>(156,755)</u>
Income tax benefit at Canadian statutory rates — 30.9% (2008:30.9%)	(6,481)	(48,437)
Difference in tax rates	189	4,944
Non-deductible expenses	889	2,696
Tax losses not recognized	2,967	10,574
Adjustment in respect of current income tax of previous year	—	1,683
Reversal of provision for impairment not assessable for tax	(863)	—
Provision for impairment not deductible for tax	<u>—</u>	<u>15,683</u>
Taxation (recovery) / expense	<u>(3,299)</u>	<u>(12,857)</u>
Comprising:		
- Current income taxes	84	415
- Future income taxes	<u>(3,383)</u>	<u>(13,272)</u>

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

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

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

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

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

9. DEFERRED FINANCING FEES

	December 31 2009	December 31 2008
	\$	\$
Balance at beginning of year	—	—
Deferred fees paid during the year	<u>2,865</u>	<u>—</u>
	<u>2,865</u>	<u>—</u>

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

10. OTHER NON-CURRENT LIABILITY

	December 31 2009	December 31 2008
	\$	\$
Balance at beginning of year	—	—
Non-current liability incurred during the year	6,589	—
Interest / Accretion expense	<u>122</u>	<u>—</u>
	<u>6,711</u>	<u>—</u>

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

11. CASH AND CASH EQUIVALENTS

	December 31	December 31
	2009	2008
	\$	\$
Cash at bank and in hand	20,000	6,178
Deposits at call	<u>100,753</u>	<u>38,855</u>
	<u>120,753</u>	<u>45,033</u>

(a) Credit Risk Exposure

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

12. RESTRICTED CASH

	December 31	December 31
	2009	2008
	\$	\$
Cash deposits held as security	<u>887</u>	<u>871</u>

At December 31, 2009 and December 31, 2008, cash deposits were held by the Group's bankers against deposits held for future mine property rehabilitation and guarantees for acquisition of equipment related to Kinsevere Stage II.

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

13. ACCOUNTS RECEIVABLE

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

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

The current portion of long-term receivable of \$1.0 million represents the amount receivable from Société Nationale d'Électricité ("SNEL") in relation to the joint venture agreement with Ruashi Mining sprl to construct infrastructure necessary to ensure supply of the required power for the operation of the Kinsevere Stage II SX-EW plant.

(a) Impaired trade receivables

As at December 31, 2009, current trade receivables of the Group with a nominal value of \$7.6 million (2008: \$7.8 million) were considered uncollectible. The amount of provision for uncollectible trade receivables related to doubtful debts following a review of the receivables with regard to recoverability, financial standing of the counterparty and defaults in payments. Movement in the provision for doubtful debts are as follows:

	December 31, 2009	December 31, 2008
	\$	\$
Opening Balance	7,775	—
Add: provision for doubtful debts recognized during the year	—	7,775
Less: provision for doubtful debts written off during the year as uncollectible	<u>(183)</u>	<u>—</u>
Closing Balance	<u>7,592</u>	<u>7,775</u>

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

(b) Fully performing and past due but not impaired

As of December 31, 2009, trade receivables of \$7.9 million were fully performing (2008: \$11.6 million) and \$5.5 million were past due but considered collectable (2008: \$7.7 million). The ageing analysis of these past due trade receivables is as follows:

	December 31 2009	December 31 2008
	\$	\$
Up to 3 months:	5,494	7,131
3 to 6 months:	<u>—</u>	<u>572</u>
	<u>5,494</u>	<u>7,703</u>

(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.

14. INVENTORIES

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

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

15. INVESTMENTS

	December 31 2009	December 31 2008
	\$	\$
At cost:		
Current available-for-sale investments	1,487	59,736
Non-current available-for-sale investments	<u>30,874</u>	<u>—</u>
	<u>32,361</u>	<u>59,736</u>
At fair value:		
Current available-for-sale investments	1,243	24,032
Non-current available-for-sale investments	<u>16,827</u>	<u>—</u>
	<u>18,070</u>	<u>24,032</u>

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

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

(a) **Credit risk and impairment**

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

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

16. PREPAID EXPENSES AND DEPOSITS

	December 31	December 31
	2009	2008
	\$	\$
Prepayments to creditors and sub-contractors	24,471	49,428
Prepaid expenses — Other	1,053	1,045
Deposits to suppliers	<u>375</u>	<u>785</u>
	<u>25,899</u>	<u>51,258</u>

Due to the location of the Group's mining and project development operations, suppliers require significant prepayments as a prerequisite for delivery to site. Over \$23.1 million of the prepayments to creditors and sub-contractors relate to procurement of equipment for Kinsevere Stage II and will be transferred to capital work in progress, in accordance with the Group's accounting policy on property, plant and equipment, once delivery occurs.

17. EQUITY ACCOUNTED INVESTMENT

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

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

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

18. LONG-TERM RECEIVABLES

	December 31 2009	December 31 2008
	\$	\$
Receivable from Société Nationale d'Électricité ("SNEL")		
— Ruashi Project	14,457	12,464
Receivable from SNEL — Pweto Project	<u>1,011</u>	<u>—</u>
Receivable from SNEL	<u>15,468</u>	<u>12,464</u>

The Group entered in to a joint venture agreement with Ruashi Mining SPRL to construct infrastructure necessary to ensure supply of the required power for the operation of the Kinsevere Stage II SX-EW plant. Under the terms of this agreement, Anvil agreed to provide \$15.5 million for development of this infrastructure. The expected completion date for the development of the infrastructure is the first quarter of 2010 at which time it shall become the property of SNEL, the Government electricity company of the DRC. The Group's costs incurred in this development will be recovered through a series of monthly repayments over a five-year period that commences six months from completion of the infrastructure development. The current portion in relation to this project of \$1.0 million has been reflected under Trade Receivables (refer note 13).

19. EXPLORATION AND ACQUISITION EXPENDITURE

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

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.

20. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2009		
	Cost	Accumulated depletion, amortization and write- down	Net book value
	\$	\$	\$
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	<u>174,059</u>	<u>—</u>	<u>174,059</u>
	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	<u>4,601</u>	<u>—</u>	<u>4,601</u>
	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	<u>104</u>	<u>—</u>	<u>104</u>
	6,093	(2,823)	3,270
Corporate and other ⁴	<u>3,910</u>	<u>(1,832)</u>	<u>2,078</u>
Total	<u>420,861</u>	<u>(96,299)</u>	<u>324,562</u>
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	<u>97</u>	<u>—</u>	<u>97</u>
	<u>59,921</u>	<u>(57,488)</u>	<u>2,433</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 property, plant and equipment located at Kinsevere in the DRC. This includes the \$15 million premium payment for La Générale des Carrières et des Mines (“Gécamines”) in relation to the DRC Government review of mining agreements, \$10 million of which was settled in July 2009 and the remaining \$5 million is to be paid in January 2010.
- 2 The Mutoshi property, plant and equipment includes all property, plant and equipment related to Mutoshi Stage I HMS plant, located at Kolwezi in the DRC.
- 3 The Services property, plant and equipment includes all property, plant and equipment at Lubumbashi in the DRC or used in the drilling, development, logistics and administrative services operations in the DRC.
- 4 The Corporate and other assets are all located in Australia and Canada.
- 5 The asset held in discontinued operation represents the Dikulushi property, plant and equipment which includes all property, plant and equipment located at Dikulushi or used in the support of the Dikulushi operations situated in the DRC and elsewhere in Central and Southern Africa.

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

- 1 The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC.
- 2 The Dikulushi property, plant and equipment includes all property, plant and equipment located at Dikulushi or used in the support of the Dikulushi operations situated in the DRC and elsewhere in Central and Southern Africa.
- 3 The Mutoshi property, plant and equipment includes all property, plant and equipment related to the Mutoshi Stage I HMS plant located at Kolwezi in the DRC.
- 4 The Services property, plant and equipment includes all property, plant and equipment at Lubumbashi in the DRC or used in the drilling, development, logistics and administrative services operations in the DRC.
- 5 The Corporate and other assets are all located in Australia, Canada and Philippines.

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2009	December 31 2008
	\$	\$
Trade creditors	7,701	19,699
Creditor and other accruals	<u>4,336</u>	<u>15,032</u>
	<u>12,037</u>	<u>34,731</u>

22. ASSET RETIREMENT OBLIGATION

The Group has restoration and remediation obligations associated with its operating mines and processing facilities. The following table summarizes the movements in the asset retirement obligation for the years ended December 31, 2009 and 2008:

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

The asset retirement obligations have been recorded initially as a liability at fair value, assuming a credit adjusted risk-free discount rate between 7.38% and 7.89%. The Kinsevere operation is based on a continuing expected life of mine of 19 years and total undiscounted amount of estimated cash flows of \$27 million. Payments are expected to occur over a period exceeding 19 years. During the year ended December 31, 2009 the accretion expense in relation to the liability was \$0.9 million (year ended December 31, 2008: \$1.3 million).

23. NON-CONTROLLING INTERESTS AND SOCIAL DEVELOPMENT EXPENDITURE

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

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

In July, 2009 Anvil’s interest in the Mutoshi Joint Venture reduced from 80% to 70%, as a result of the DRC Government review of mining agreements. Gécamines interest increased from 20% to 30% on a non-dilutable basis. The Group now holds a beneficial interest of 70% in Société Minière de Kolwezi s.p.r.l (“SMK”) which is the owner and operator of the Mutoshi project, including the Stage I HMS development that processes material from the Kulumaziba River tailings deposit at the Kulu operation and the holder of other exploration tenements in the Kolwezi region.

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

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

24. COMMON SHARES, SHARE OPTIONS AND SHARE WARRANTS

(a) Equity Accounts

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

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

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

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

- (iii) The total share issue expenses relating to the issue of 30,015,000 Common Shares in (ii) above amounted to \$2.1 million. In addition the Company incurred share issued expenses of \$2.9 million in relation to the 48,397,929 Equity Units issued to Trafigura.
- (iv) On June 17, 2009, the Company issued 695,652 Common Shares at a price of C\$1.15 to BMO Nesbitt Burns Inc. (“BMO”). The shares were issued to settle an outstanding payment of \$0.8 million due to BMO in connection with work carried out by BMO during 2008.

(b) **Stock option plan**

Pursuant to the Anvil Mining 2008 Share Incentive Plan (the “Plan”), which was approved by the Company’s shareholders at the 2007 Annual General Meeting, the Company may grant options and awards to directors, officers, employees and consultants. At December 31, 2009, the Company is able to issue an additional 10,772,931 (December 31, 2008 — 4,798,483) common shares under the Plan.

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

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

	Canadian Dollar based options
Risk free interest rate:	3.0%
Expected life:	57 months
Expected volatility:	86.9%
Expected dividend yield:	0%

During the year ended December 31, 2009, 400,000 stock options with an exercise price of C\$1.35 each (total fair value of \$0.37 million) and 150,000 options with an exercise price of \$1.27 each (total fair value of \$0.20 million) were issued in lieu of cash for services rendered by independent directors in connection with financings undertaken by the Company. In addition 100,000 stock options with an exercise price of C\$1.16 each, and 150,000 stock options with an exercise price of C\$1.60 each, with a total fair value of \$0.08 million and \$0.15 million respectively were issued to non-executive directors pursuant to the terms of the Plan. During the year ended December 31, 2008, 100,000 stock options with an exercise price of C\$13.09 each, 50,000 stock options with an exercise price of C\$11.28 each and 25,000 stock options with an exercise price of C\$12.04 each, with a total fair value of \$0.59 million, \$0.26 million and \$0.14 million respectively were issued to non-executive directors pursuant to the terms of the Plan.

During the year ended December 31, 2009, 2,030,000 stock options with an exercise price of C\$1.35, with a total fair value of \$1.49 million, were issued to employees under the Plan and no employee stock options were exercised. During the year ended December 31, 2008, 331,157 stock options with an exercise price ranging from C\$9.05 to C\$12.43 each, with a total fair value of \$1.68 million, were issued to employees under the Plan and 129,334 employee stock options were exercised.

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

The stock option expense for the year ended December 31, 2009 amounted to \$1.9 million (year ended December 31, 2008 — \$2.6 million). As at December 31, 2009, the aggregate fair value of unvested stock options remaining to be charged to income amounted to \$0.5 million (December 31, 2008 — \$2.5 million).

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

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

The following table summarizes information about stock options outstanding at December 31, 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	<u>4,284,385</u>	<u>34</u>	<u>C\$4.15</u>	<u>2,082,382</u>	<u>40</u>	<u>C\$5.15</u>

(c) **Warrants**

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

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

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

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

25. COMMITMENTS

(a) Exploration Expenditure Commitments

No estimate has been given of commitments beyond one year as this is dependent upon the directors' review of operations in the short to medium-term. Commitments for all tenement expenditure can be terminated at any date by forfeiture, exemption, sale or assignment of the tenements, subject to certain constraints.

(b) Kinsevere mine

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

(c) Mutoshi mine

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

(d) Central Bank of Congo

Anvil subsidiaries operating in the DRC are required to comply with the Central Bank of Congo regulations regarding repatriation of sales proceeds received into bank accounts located outside the DRC. The subsidiaries are required to repatriate no less than 40% of the realized sales receipts, within certain time periods, into US dollar denominated bank accounts located in the DRC. The funds once repatriated, are available to the Company to meet obligations both within and outside the DRC. At December 31, 2009 the amount to be repatriated was \$4.4 million (December 31, 2008 - nil). The funds were repatriated on January 15, 2010.

26. SEGMENT INFORMATION

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

Kinsevere

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

Dikulushi

The Group holds a beneficial interest of 90% in the Dikulushi mine. The operation is located in the Katanga province of the DRC. The operation was developed in 2002 and produces a sulphide copper concentrate with a silver credit. Dikulushi was placed on care and maintenance during the fourth quarter of 2008.

Mutoshi

In July, 2009 Anvil's interest in the Mutoshi Joint Venture reduced from 80% to 70%, as a result of the DRC Government review of mining agreements. Gécamines' interest increased from 20% to 30% on a non-dilutable basis. The Group now holds a beneficial interest of 70% in the Mutoshi tenements located in the Kolwezi region within the Katanga province of the DRC. The Mutoshi Stage I HMS operation was developed in 2005 to produce an oxide copper concentrate. HMS processing operations ceased during the fourth quarter of 2008. The Group has previously referred to its Stage I HMS plant that processes material from the Kulumaziba River tailings deposit as the Kulu operation. This is now referred to as Mutoshi Stage I, being part of the broader Mutoshi project that includes other exploration tenements in the Mutoshi area.

CDA

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

For the year ended December 31, 2009, segmented information is presented as follows. The inter-segment eliminations relate to inter-company interest charged on loan balances and the charging of corporate marketing, finance and agency fees within the Group.

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

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

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

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

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

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

The operations in DRC comprise i) the Kinsevere copper mine, which is currently operating a HMS plant, ii) the Dikulushi copper-silver mine, which is currently classified as discontinued operations, held for sale, iii) the Mutoshi copper mine, which has ceased operating the HMS plant and is currently under care and maintenance, and iv) exploration on tenements held in the DRC. The Group's Zambia operations comprise the infrastructure support to the Dikulushi mine and exploration tenements in Zambia. The Group's Australia and Canada segment carry all corporate activity costs.

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

	December 31 2009	December 31 2008
	\$	\$
Total assets — Geographical reporting		
Democratic Republic of Congo	523,701	454,412
Zambia	712	783
Philippines	—	3,424
Australia ¹	66,524	40,332
Canada ¹	<u>23,301</u>	<u>33,671</u>
	<u>614,238</u>	<u>532,622</u>

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	
	2009	2008
	\$	\$
Revenues — Geographical reporting		
Democratic Republic of Congo	<u>49,235</u>	<u>191,240</u>

27. LOSS PER SHARE FROM CONTINUING OPERATIONS

	Year ended December 31	
	2009	2008
	\$	\$
Basic loss per share	(0.18)	(1.95)
Diluted loss per share	(0.18)	(1.95)
Weighted average number of ordinary shares outstanding		
- basic earnings per share	97,284,616	71,244,578
Weighted average number of ordinary shares outstanding		
- diluted earnings per share	97,284,616	71,244,578

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

	Year ended December 31, 2009		
	Loss \$	No. of Shares	\$ per share amount
Basic & Diluted loss per share Loss available to shareholders	<u>(17,675)</u>	<u>97,284,616</u>	<u>(0.18)</u>
	Year ended December 31, 2008		
	Loss \$	No. of Shares	\$ per share amount
Basic & Diluted loss per share Loss available to shareholders	<u>(138,537)</u>	<u>71,244,578</u>	<u>(1.95)</u>

28. SUPPLEMENTARY CASH FLOW INFORMATION

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

29. SUBSEQUENT EVENTS

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

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

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

30. DEED OF CROSS GUARANTEE

Information in relation to the Deed of cross guarantee is presented for the purposes of the Group's reporting obligations in Australia which requires a disclosing entity, which is a registered foreign holding company to disclose condensed statements of earnings and balance sheets of both "the Closed Group" and "the Extended Closed Group" as defined by the Australian Securities and Investments Commission ("ASIC") Class Order 98/1418.

On June 30, 2004, Anvil Mining Limited, Anvil Mining Management NL, Central African Holdings Pty Ltd, Congo Development Pty Ltd, Anvil Mining No 2 Pty Ltd, Anvil Mining No 3 Pty Ltd, Leda Mining Pty Ltd and Bannon Mining Pty Ltd (together the "Closed Group") entered into a Deed of Cross Guarantee and in August 2004 a Deed of Variation (together the "Deeds"), under which each company guarantees the liabilities of all other companies that are party to the Deeds. A benefit arising from the Deeds is to relieve eligible entities from the requirements to prepare audited financial reports under the Australian Corporations Act 2001 and ASIC accounting and audit relief Orders.

The following entities form part of the consolidated entity but are not members of the Closed Group:

Anvil Mining Congo sarl, Anvil Mining Investments Limited, L'Entreprise Minière de Kolwezi sprl, Société Minière de Kolwezi sprl, AMCK Mining sprl, Anvil Mining Holdings Ltd, Anvil Mining Zambia Ltd, Anvil Mining Services sprl, Anvil International Holdings Limited, Anvil Mining Australia Pty Ltd, Anvil International Finance Limited and Anvil Mining Investment Company South Africa (Pty) Ltd (together the "Extended Closed Group").

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

Condensed Statement of Earnings

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

Condensed balance sheets

	Closed Group		Extended Closed Group ⁽¹⁾	
	December 31 2009	December 31 2008	December 31 2009	December 31 2008
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	1,960	2,252	120,753	45,033
Accounts receivable	44	87	17,967	24,243
Inventories	—	—	14,220	31,064
Available-for-sale investments	1,243	24,032	1,243	24,032
Prepaid expenses and deposits	99	69	25,899	51,258
Current assets classified as held for sale	—	—	2,114	—
	3,346	26,440	182,196	175,630
Non current assets				
Receivables from subsidiaries ⁽³⁾	407,307	277,738	—	—
Restricted cash	608	481	887	871
Available-for-sale investments	16,827	—	16,827	—
Deferred financing fees	2,865	—	2,865	—
Equity accounted investment	—	1,320	—	1,320
Long-term receivable	—	—	15,468	12,464
Long-term inventory	—	—	11,163	10,651
Exploration and acquisition expenditure	1,765	2,264	62,384	51,352
Property, plant and equipment	3	151	324,562	280,334
Non-current assets classified as held for sale	—	—	5,156	—
	<u>429,375</u>	<u>281,954</u>	<u>439,312</u>	<u>356,992</u>
	<u>432,721</u>	<u>308,394</u>	<u>621,508</u>	<u>532,622</u>

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

	Closed Group		Extended Closed Group ⁽¹⁾	
	December 31 2009	December 31 2008	December 31 2009	December 31 2008
	\$	\$	\$	\$
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	304	1,796	12,037	34,731
Derivative financial instrument	—	—	586	—
Income taxes payable	—	—	6	463
Other liabilities	48	39	1,712	2,460
Current portion of long-term debt	—	—	290	362
Current liabilities directly associated with non-current assets classified as held for sale	—	—	1,764	—
	<u>352</u>	<u>1,835</u>	<u>16,395</u>	<u>38,016</u>
Long-term debt	—	—	74	321
Asset retirement obligations	—	—	12,858	12,980
Other non-current liability	—	—	6,711	—
Future income tax liability	—	—	21,048	24,431
Non-current liabilities directly associated with non-current assets classified as held for sale	—	—	983	—
	—	—	<u>41,674</u>	<u>37,732</u>
Total liabilities	<u>352</u>	<u>1,835</u>	<u>58,069</u>	<u>75,748</u>
Non-controlling interest	—	—	260	1,909
	352	1,835	58,329	77,657
Shareholders' equity				
Equity accounts	513,112	383,978	513,112	383,978
Retained (deficit) / earnings	<u>(80,743)</u>	<u>(77,419)</u>	<u>50,067</u>	<u>70,987</u>
Total shareholders' equity	<u>432,369</u>	<u>306,559</u>	<u>563,179</u>	<u>454,965</u>
	<u>432,721</u>	<u>308,394</u>	<u>621,508</u>	<u>532,622</u>

- (1) The members of the consolidated entity comprising the Extended Closed Group are the same as those entities, which comprise the consolidated entity, as Anvil Mining Limited is the ultimate parent entity.
- (2) Other income / (expenses) of the Closed Group includes inter-company charges between the Closed Group and entities outside the Closed Group amounting to \$(1.3) million for the year ended December 31, 2009 (year ended December 31, 2008: \$1.5 million).
- (3) These long-term receivables relate to receivables from controlled entities, which are outside the Closed Group, as is listed above.

- (4) The following is an extract of the audited financial statements of the Anvil Group for the year ended 31 December 2008, which were prepared in accordance with Canadian GAAP, from the 2008 annual report and financial statements of the Anvil Group. These financial statements were presented in thousands US dollars except for per share amounts and otherwise stated.

Anvil's 2008 annual report and financial statements are available free of charge, in read only, printable format on the Anvil Group's website.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Anvil Mining Limited were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) William S. Turner

(Signed) Craig R. Munro

President and Chief Executive Officer

Senior Vice President Corporate and
Chief Financial Officer

March 17, 2009

Auditors' Report to the Shareholders of Anvil Mining Limited

We have audited the consolidated balance sheets of Anvil Mining Limited as at December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)
PricewaterhouseCoopers
Chartered Accountants

Perth, Australia
March 17, 2009

CONSOLIDATED BALANCE SHEETS

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

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

	Notes	December 31 2008 \$	December 31 2007 \$
Shareholders' equity			
Equity accounts	20	383,419	382,108
Retained earnings		70,987	209,524
Accumulated other comprehensive income		<u>559</u>	<u>432</u>
Total shareholders' equity		<u>454,965</u>	<u>592,064</u>
		<u>532,622</u>	<u>688,655</u>
Nature of operations and going concern	1		
Commitments	21		
Subsequent events	25		

Approved by the Board of Directors

(signed)
William S. Turner

(signed)
Thomas C. Dawson

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

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31	
		2008	2007
		\$	\$
Cash flows from operating activities			
Net (loss) / income for the period		(138,537)	117,164
Items not affecting cash:			
- Amortization		43,400	17,163
- Provision for impairment of assets		103,142	9,367
- Accretion expense		1,312	—
- Provision for doubtful debts		7,775	—
- Exploration expenditure written off		31,290	4,389
- Share of loss in associates		891	—
- Loss on sale of assets		278	—
- Non-controlling interest share of income / (loss)		(5,361)	13,209
- Borrowing costs — amortized		—	715
- Unrealized foreign exchange gains/(losses)		298	(169)
- Future income tax		(13,271)	1,935
- Stock based compensation		2,582	2,484
Changes in non-cash working capital	24	<u>8,709</u>	<u>(42,932)</u>
		42,508	123,325
Cash flows from investing activities			
Payments for property, plant and equipment		(186,156)	(91,961)
Proceeds from sale of assets		475	11
Payments for exploration expenditure		(33,271)	(20,377)
Payment for additional interest in AMCK Mining s.p.r.l		—	(36,000)
Investment in Sub-Sahara Resources NL		—	(6,090)
Proceeds of principal repayments from investments		<u>13,399</u>	<u>22,996</u>
		(205,553)	(131,421)

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

	Notes	Year Ended December 31	
		2008	2007
		\$	\$
Cash flows from financing activities			
Proceeds from issue of shares (net of issue expenses)		711	183,666
Payment for borrowings fees		—	(115)
Movement in restricted cash		(550)	(103)
Proceeds from borrowings (net of fees incurred)		800	—
Shares purchased under ESSIP		(1,982)	—
Repayments of borrowings		(117)	(12,000)
Disbursements on behalf of Dikulushi Trusts		<u>(6,610)</u>	<u>(7,620)</u>
		<u>(7,748)</u>	<u>163,828</u>
Net decrease in cash and cash equivalents		(170,793)	155,732
Cash and cash equivalents at beginning of the period		215,754	59,302
Effects of exchange rate changes on cash held in foreign currencies		<u>72</u>	<u>720</u>
Cash and cash equivalents at end of the period		<u>45,033</u>	<u>215,754</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND GOING CONCERN

Anvil Mining Limited (the “Company”) and its subsidiaries (the “Group” or “Anvil”) operate in one operating segment, namely the acquisition, exploration, development and mining of mineral properties. Its principal assets are a 90% interest in the Dikulushi copper-silver mine (the “Dikulushi mine”), an 80% interest in the Kulumaziba copper mine (the “Mutoshi mine”), a 95% interest in the Kinsevere-Nambulwa copper project (“Kinsevere”) and the associated Dikulushi, Mutoshi and Kinsevere-Nambulwa exploration tenements situated in the Democratic Republic of Congo (“DRC”). Anvil also holds interests in other exploration properties in the DRC, Zambia and South East Asia.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Summarized below are the significant accounting policies used in these consolidated financial statements.

a) **Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company and their results for the year since the acquisition date. The effects of all transactions between entities in the consolidated group are eliminated in full.

b) **Use of estimates**

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

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

(i) *Estimated impairment of long-lived assets*

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

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

(ii) *Useful lives of property, plant and equipment and mine properties*

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

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

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

(iii) *Fair values of financial instruments*

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

c) **Reporting currency**

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

d) **Foreign currency translations**

The Group employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the year-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized as income. Realized exchange gains and losses and currency translation adjustments are included in income.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

e) **Revenue recognition**

Revenue from sales of copper-silver concentrate is recorded net of smelter treatment charges and deductions. Copper products are sold under pricing arrangements whereby final prices are determined at a specified future date based on market copper prices. Revenue is recognised when title and risk pass to the customer using forward prices for the expected date of final settlements. Changes between the prices recorded upon recognition of revenue and final price due to fluctuation in copper market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue.

f) Cash and cash equivalents

Cash and cash equivalents are comprised of highly liquid investments with maturity of three months or less at the date of original issue.

g) Receivables

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

h) Inventories

Inventories of broken ore and concentrate are physically measured or estimated and valued at the lower of cost and net realizable value (“NRV”).

Cost represents weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortization.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost.

Obsolete or damaged inventories are valued at NRV. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

i) Transaction costs

Costs incurred (including the fair value of shares and options granted) to obtain long-term debt or finance facilities are deferred and amortized over the respective terms of the underlying debt.

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

j) Deferred mining costs

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the costs of inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides

access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve in the betterment accessed by the stripping activity using the units of production method.

k) Exploration, evaluation and development expenditure

Exploration and evaluation expenditure incurred is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest, which is expensed in the year it is incurred.

Property acquisition costs relating to exploration properties and expenditures incurred on properties identified as having development potential are deferred as mine development costs on a project basis until the viability of the project is determined.

If, after management review, it is determined that the carrying amount of an exploration property is impaired, that property is written down to its estimated fair value. An exploration property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company's rights of tenure to that area of interest are current.

l) Property, plant and equipment

The cost of each item of buildings, fixed plant, mobile machinery and equipment is written off over its expected useful life. Either the units-of-production or straight-line method may be used. The unit-of-production basis results in an amortization charge proportional to the depletion of the recoverable mineral resources. Each item's economic life has due regard to both its own physical life limitations and to present assessment of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, fixed plant and mobile machinery and equipment, with annual reassessments for major items.

The expected useful lives are as follows:

- mine buildings — the shorter of applicable mine life on units-of-production basis and 15 years
- fixed plant — the shorter of applicable mine life on units-of-production basis and 15 years

- mobile machinery and equipment — the shorter of applicable useful life and 7 years, depending on the nature of the asset

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

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable based on future undiscounted cash flows. When assets are determined to be impaired, recorded asset values are revised to fair value and an impairment loss is recognized.

Construction in progress is accumulated and carried forward at cost until the construction is complete. On completion the asset is transferred to property, plant and equipment and is amortized over its expected useful life.

m) Mine properties

Mine properties comprise the accumulation of all exploration, evaluation and development expenditure, incurred by or on behalf of the entity, in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are likely to be realized, otherwise such expenditure is classified as part of the cost of production.

Amortization of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its fair value, that excess in carrying value is either fully provided against or written off in the financial year in which this is determined.

n) Asset retirement obligations

The Group records asset retirement obligations at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the Group's credit adjusted risk free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted over time to its full value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset.

o) Income tax

The Group accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences

between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of changes in tax rates is recognized in income in the year in which the change is applied. Future tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not they will be realized.

p) **Earnings (loss) per share**

The Group follows the “treasury stock” method in calculating diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued, assuming “in the money” options were exercised and the proceeds used to repurchase common shares at a weighted average market price.

q) **Stock-based compensation**

The Group accounts for stock options granted to employees and directors using the fair value method. For option awards, fair value is measured at the grant date using a Black-Scholes valuation model and is recognized as a charge to compensation expense and an increase in contributed surplus over the vesting period of the options granted. Cash consideration received from employees when they exercise the option is credited to share capital.

r) **Investments**

(i) *Available-for-sale investments*

Investment in marketable securities are classified as available-for-sale and recorded at fair value. Investment transactions are recognised on the trade date with transaction costs included in the underlying balance. Changes in their fair value net of tax are recorded in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired. Valuations of the investments have been determined based on a hierarchy of valuation principles, which have been applied based on publicly available information. The valuation approach applied is as follows:

- fair values of instruments traded in active markets are based on quoted market prices at the reporting date.
- where instruments are not traded in an active market, fair value is determined using valuation techniques taking into account market information for financial instruments with similar characteristics as the underlying instrument being valued.
- where there is no comparable market information to determine the fair value of the instrument, fair value is calculated using other techniques, such as estimated discounted cash flows using contractual terms of the instrument, discount rates considered appropriate for the credit risk of the instrument and the current volatility in the market place.

When information or events indicate other than a temporary decline in value, the impairment loss is taken to the income statement in the period in which such events occur. Impairment losses recognized in net income for a financial instrument classified as available for sale are not reversed.

(ii) *Equity Accounted Investments*

Investments in which the Group has significant influence but does not have control are accounted for using the equity method. Under the equity method the investment is initially recorded at cost and the carrying value is adjusted thereafter, semi-annually in arrears, to reflect the Group's pro-rata share of post acquisition income or loss. The amount of adjustment is included in the determination of net income of the Group, and the investment account of the Group is also increased or decreased to reflect the Group's share of capital transactions and changes in accounting policies. The carrying values of equity investments are regularly reviewed against market values, based on closing prices of recognised security exchanges, to ensure there is no impairment. When there is a loss in value other than temporary decline, the investment is written down to recognise the loss.

s) **Trade and other payables**

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

t) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. They are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Collectability and impairment are assessed on a regular basis.

u) **Impairment**

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

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

v) **Significant accounting changes**

Capital Disclosures and Financial Instruments — Disclosures and Presentation

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

Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Financial Instruments Disclosure and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, “Financial Instruments — Disclosure and Presentation”, revising and enhancing its disclosure requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Inventories

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

Going Concern

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

w) New Accounting changes*Section 1582 Business combinations, Section 1601 consolidated financial statements and Section 1602 non-controlling interests*

These sections replace the former CICA 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to FASB Statements No. 141(R), Business Combinations and No. 160 Non-controlling Interests in Consolidated Financial Statements. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Goodwill and intangible assets

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

Convergence with International Financial Reporting Standards (“IFRS”)

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

3. FINANCIAL RISK MANAGEMENT

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

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

Financial assets

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

Financial liabilities

Accounts payable and accrued liabilities	34,731
Long-term borrowings	<u>683</u>
	<u>35,414</u>

(a) **Market Risk**

(i) *Foreign Exchange Risk*

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

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

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

(ii) *Commodity Price Risk*

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

Impact of commodity price risk on financial instruments:

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

(iii) *Securities Price Risk*

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

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

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

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

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

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

(iv) *Interest Rate Risk*

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

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

(b) **Credit Risk**

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

(c) **Liquidity Risk**

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. During the fourth quarter of 2008, the Company announced initiatives focused on significantly reducing costs and expenditures.

These initiatives included: suspension of engineering, construction and fabrication works for development of Kinsevere Stage II until such time as the required funding has been secured; placement of the Dikulushi operation on care and maintenance; conclusion of Heavy Media Separation (“HMS”) processing operations at Mutoshi; and a reduction in corporate overhead costs.

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

(d) **Maturities of Financial Liabilities**

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

	Accounts Payable & Accruals	Bank Loans	Capital Commitments	Entry Premium¹	Total
Within one year	34,731	442	39,972	10,000	85,145
In one to two years	—	312	—	5,000	5,312
In two to three years	—	52	—	—	52
	34,731	806	39,972	15,000	90,509
Effect of discount rates	—	(123)	—	—	(123)
Off balance sheet item (post balance sheet event)	—	—	(39,272)	(15,000)	(54,272)
Balance sheet carrying value	<u>34,731</u>	<u>683</u>	<u>—</u>	<u>—</u>	<u>35,414</u>

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

(e) **Concentration of credit risk**

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

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

(f) Fair Value Estimation

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

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

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

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

4. CAPITAL RISK MANAGEMENT

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

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

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

5. OTHER INCOME

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

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

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

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

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

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

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

	Year Ended December 31	
	2008	2007
	\$	\$
Provision for impairment relating to long lived assets		
Mineral Properties		
Mutoshi (Kulu River Project)	4,397	—
Dikulushi (Underground development and processing plant)	18,165	—
Plant & Equipment		
Kinsevere (Electric-Arc Furnace (“EAF”), HMS and Spirals Plant)	26,626	—
Mutoshi (HMS plant)	654	—
Dikulushi (flotation circuit, mobile equipment)	11,458	—
Land & Buildings		
Dikulushi (Camp & Buildings)	<u>811</u>	<u>—</u>
Total Long lived asset impairment	<u><u>62,111</u></u>	<u><u>—</u></u>

	Year Ended December 31	
	2008	2007
	\$	\$
Provision for impairment relating to inventory (stores and consumables)		
Kinsevere (HMS, EAF & Spirals Plant)	3,017	—
Mutoshi (HMS Plant)	330	—
Dikulushi (Underground & Process Plant spares)	<u>7,791</u>	<u>—</u>
	<u>11,138</u>	<u>—</u>
Exploration and acquisition expenditure written off		
Exploration Expenditure ⁽¹⁾		
Dikulushi mine and regional projects	(9,908)	—
Mutoshi projects	(3,985)	—
Kinsevere-Nambulwa projects	(1,561)	(3,326)
Philippines regional exploration projects	(2,500)	—
Duc Bo exploration project - Vietnam	<u>—</u>	<u>(1,063)</u>
	<u>(17,954)</u>	<u>(4,389)</u>
Acquisition expenditure ⁽²⁾		
Mutoshi projects	(11,879)	—
Kinsevere-Nambulwa projects	<u>(1,457)</u>	<u>—</u>
	<u>(13,336)</u>	<u>—</u>
Total Exploration Expenditure written off		
Dikulushi mine and regional projects	(9,908)	—
Mutoshi projects	(15,864)	—
Kinsevere-Nambulwa projects	(3,018)	(3,326)
Philippines regional exploration projects	(2,500)	—
Duc Bo exploration project - Vietnam	<u>—</u>	<u>(1,063)</u>
	<u>(31,290)</u>	<u>(4,389)</u>

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.

6. INCOME TAX

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

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

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

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

Under the Mining Convention (the “Convention”) granted by the DRC Government, the Dikulushi mine operations in the DRC currently enjoy a concessionary tax benefit of reduced income tax rates for the first fifteen years from the date of first commercial mine production, which commenced in October 2002. The tax concessionary rates based on the applicable DRC Professional income tax rate of 40% which was in effect when the Convention was granted are as follows:

Year	% of Professional Tax Rate	Effective income tax rate
First five years of production	0%	0%
Sixth through to tenth years of production	40%	16%
Eleventh through to fifteenth years of production	45%	18%
Thereafter	100%	30% ⁽ⁱ⁾

- (i) The Convention holder elected, as entitled, to adopt the more favourable rate of 30%.

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

7. CASH

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

(a) Credit Risk Exposure

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

8. RESTRICTED CASH

	December 31 2008	December 31 2007
	\$	\$
Cash deposits held as security	<u>871</u>	<u>322</u>

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

9. ACCOUNTS RECEIVABLE

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

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

(a) Impaired trade receivables

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

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

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

(b) Fully performing and past due but not impaired

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

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

(c) Foreign exchange and interest rate risk

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

(d) Fair value and credit risk

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

10. INVENTORIES

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

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

11. INVESTMENTS

	December 31 2008	December 31 2007
	\$	\$
Available-for-sale investments at cost	<u>59,736</u>	<u>73,295</u>
Available-for-sale investments at fair value	<u>24,032</u>	<u>63,800</u>

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

(a) Credit risk and impairment

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

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

12. PREPAID EXPENSES AND DEPOSITS

	December 31 2008 \$	December 31 2007 \$
Prepayments to creditors and sub-contractors	49,428	16,845
Prepaid expenses — Other	1,045	4,490
Deposits	785	114
	<u>51,258</u>	<u>21,449</u>

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

13. EQUITY ACCOUNTED INVESTMENT

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

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

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

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

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

14. LONG-TERM RECEIVABLES

	December 31	December 31
	2008	2007
	\$	\$
Receivable from Société Nationale d’Électricité (“SNEL”)	<u>12,464</u>	<u>3,966</u>

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

15. EXPLORATION AND ACQUISITION EXPENDITURE

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

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.

16. PROPERTY, PLANT AND EQUIPMENT

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

- 1 The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC.
- 2 The Dikulushi property, plant and equipment includes all property, plant and equipment located at Dikulushi or used in the support of the Dikulushi operations situated in the DRC and elsewhere in Central and Southern Africa
- 3 The Mutoshi property, plant and equipment includes all property, plant and equipment related to Mutoshi Stage I HMS plant, located at Kolwezi in the DRC.
- 4 The Services property, plant and equipment includes all property, plant and equipment at Lubumbashi in the DRC or used in the drilling, development, logistics and administrative services operations in the DRC.
- 5 The Corporate and other assets are all located in Australia, Canada and Philippines.

	December 31, 2007		Net book value \$
	Cost \$	Accumulated depletion, amortization and write-down \$	
Kinsevere ¹			
Land and buildings	4,865	(528)	4,337
Plant and equipment	25,787	(4,887)	20,900
Mine property	112,770	(4,425)	108,345
Capital work in progress	<u>41,865</u>	<u>—</u>	<u>41,865</u>
	185,287	(9,840)	175,447
Dikulushi ²			
Land and buildings	2,958	(1,530)	1,428
Plant and equipment	26,112	(13,049)	13,063
Mine property	19,440	(5,452)	13,988
Capital work in progress	<u>2,606</u>	<u>—</u>	<u>2,606</u>
	51,116	(20,031)	31,085
Mutoshi ³			
Land and buildings	277	(45)	232
Plant and equipment	5,784	(2,825)	2,959
Mine property	10,832	(2,057)	8,775
Capital work in progress	<u>2,197</u>	<u>—</u>	<u>2,197</u>
	19,090	(4,927)	14,163
Services ⁴			
Land and buildings	801	(92)	709
Plant and equipment	4,344	(1,589)	2,755
Capital work in progress	<u>1,749</u>	<u>—</u>	<u>1,749</u>
	6,894	(1,681)	5,213
Corporate and other ⁵	<u>2,621</u>	<u>(477)</u>	<u>2,144</u>
Total	<u>265,008</u>	<u>(36,956)</u>	<u>228,052</u>

- 1 The Kinsevere property, plant and equipment includes all property, plant and equipment located at Kinsevere in the DRC.
- 2 The Dikulushi property, plant and equipment includes all property, plant and equipment located at Dikulushi or used in the support of the Dikulushi operations situated in the DRC and elsewhere in Central and Southern Africa.
- 3 The Mutoshi property, plant and equipment includes all property, plant and equipment related to the Mutoshi Stage I HMS plant located at Kolwezi in the DRC.
- 4 The Services property, plant and equipment includes all property, plant and equipment at Lubumbashi in the DRC or used in the drilling, development, logistics and administrative services operations in the DRC.
- 5 The Corporate and other assets are all located in Australia, Canada and Philippines.

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2008	December 31 2007
	\$	\$
Trade creditors	19,699	10,217
Creditor and other accruals	<u>15,032</u>	<u>14,827</u>
	<u>34,731</u>	<u>25,044</u>

18. ASSET RETIREMENT OBLIGATION

The Group has restoration and remediation obligations associated with its operating mines and processing facilities. The following table summarizes the movements in the asset retirement obligation for the years ended December 31, 2008 and 2007:

	December 31 2008	December 31 2007
	\$	\$
At January 1	11,668	1,402
Obligation incurred	—	9,560
Accretion expense	<u>1,312</u>	<u>706</u>
At December 31	<u>12,980</u>	<u>11,668</u>

The asset retirement obligations have been recorded initially as a liability at fair value, assuming a credit adjusted risk-free discount rate between 7.38% and 7.89%. Although the ultimate amount to be incurred is uncertain, management has at December 31, 2007 revised the estimated liability and the asset retirement cost has been based on management's revision of the independent Environmental Impact Assessment, completed for the Kulu operation in May 2005 and Kinsevere operation in December 2007, and the Revised Environmental Impact Statement, completed for the Dikulushi operation in August 2006. The Kinsevere operation is based on a continuing expected life of mine of 19 years and total undiscounted amount of estimated cash flows of \$27.0 million. Payments are expected to occur over a period exceeding 19 years. During the year ended December 31, 2008 the accretion expense in relation to the liability was \$1.3 million (year ended December 31, 2007: \$0.7 million).

19. NON-CONTROLLING INTERESTS AND SOCIAL DEVELOPMENT EXPENDITURE

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

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

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

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

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

20. COMMON SHARES, SHARE OPTIONS AND SHARE WARRANTS

(a) Equity Accounts

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

(i) During the year ended December 31, 2008, employee stock option and warrant holders exercised their options/warrants over 129,334 (December 31, 2007: 1,150,982) common shares.

(ii) On March 30, 2007, the Company issued 872,093 common shares at US\$10.32 per share as part consideration for an additional 15% interest in AMCK.

(iii) In June 2007, the Company completed a bought deal financing when it issued an aggregate of 12,384,615 common shares at a price of C\$16.25 per share for total gross proceeds of C\$201,249,994.

(iv) The total share issue expenses relating to the bought deal financing described in (iii) above amounted to \$10.0 million.

(v) The Company purchased shares under the ESSIP which are held in trust by the Company to be provided to senior executives upon accomplishment of set performance criteria.

(b) Stock option plan

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

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

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

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

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

During the year ended December 31, 2008, 331,157 stock options with an exercise price ranging from C\$9.05 to C\$12.43 each, with a total fair value of \$1.68 million, were issued to employees under the Plan and 129,334 employee stock options were exercised. During the year ended December 31, 2007, 807,966 stock options with an exercise price, ranging from C\$9.41 to C\$17.04 each, with a total fair value of \$3.55 million were issued to employees under the Plan and 550,982 employee stock options were exercised.

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

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

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

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

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

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

21. COMMITMENTS

(a) Exploration Expenditure Commitments

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

No estimate has been given of commitments beyond one year as this is dependent upon the directors' review of operations in the short to medium-term. Commitments for all tenement expenditure can be terminated at any date by forfeiture, exemption, sale or assignment of the tenements, subject to certain constraints.

(b) Dikulushi mine

The outstanding capital commitments of the Dikulushi mine contracted for as at December 31, 2008 were nil (December 31, 2007 - \$2.5 million).

(c) Mutoshi mine

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

(d) Kinsevere mine

The outstanding capital commitments of the Kinsevere mine contracted for as at December 31, 2008 were \$40.0 million (December 31, 2007 - \$26.7 million).

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

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

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

(f) Corporate development, administration and other (“CDA”)

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

(g) Central Bank of Congo

Anvil subsidiaries operating in the DRC are required to comply with the Central Bank of Congo regulations regarding repatriation of sales proceeds received into bank accounts located outside the DRC. The subsidiaries are required to repatriate no less than 40% of the realized sales receipts, within certain time periods, into US dollar denominated bank accounts located in the DRC. At December 31, 2008 the amount to be repatriated was nil (December 31, 2007 - \$6.0 million). These funds, once repatriated, are available to the Group to meet obligations both within and outside the DRC.

22. SEGMENT INFORMATION

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

Kinsevere

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

Dikulushi

The Group holds a beneficial interest of 90% in the Dikulushi mine. The operation is located in the Katanga province of the DRC. The operation was developed in 2002 and produces a sulphide copper concentrate with a silver credit.

Mutoshi

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

CDA

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

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

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

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

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

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

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

The operations in DRC comprise the Dikulushi copper-silver mine, Mutoshi copper mine, Kinsevere copper mine, as well as exploration on tenements held in the DRC. The Group's Zambia operations comprise the infrastructure support to the Dikulushi mine and exploration tenements in Zambia. The Group's Philippines operations comprise interests in exploration tenements in the Philippines. The Group's Australia and Canada segment carry all corporate activity costs.

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

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

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, is as follows:

	Year ended December 31	
	2008	2007
	\$	\$
Revenues — Geographical reporting		
Democratic Republic of Congo	<u>191,240</u>	<u>263,234</u>

23. (LOSS) / EARNINGS PER SHARE

	Year ended December 31	
	2008	2007
	\$	\$
Basic (loss) / earnings per share	(1.95)	1.81
Diluted (loss) / earnings per share	(1.95)	1.77
Weighted average number of ordinary shares outstanding - basic earnings per share	71,244,578	64,715,747
Weighted average number of ordinary shares outstanding - diluted earnings per share	71,244,578	66,224,739

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

	Year ended December 31, 2008		
	Income	No. of Shares	\$ per share amount
	\$		
Basic (loss) per share Income available to shareholders	(138,537)	71,244,578	(1.95)
Effect of dilutive securities: Options and warrants	—	—	—
Diluted (loss) / earnings per share Income available to shareholders and assumed conversions	<u>(138,537)</u>	<u>71,244,578</u>	<u>(1.95)</u>
	Year ended December 31, 2007		
	Income	No. of Shares	\$ per share amount
	\$		
Basic earnings per share Income available to shareholders	117,164	64,715,747	1.81
Effect of dilutive securities: Options and warrants	—	1,508,992	—
Diluted earnings per share Income available to shareholders and assumed conversions	<u>117,164</u>	<u>66,224,739</u>	<u>1.77</u>

24. SUPPLEMENTARY CASH FLOW INFORMATION

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

25. SUBSEQUENT EVENTS

(i) *DRC Government Review of Mining Agreements*

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

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

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

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

26. DEED OF CROSS GUARANTEE

Information in relation to the Deed of cross guarantee is presented for the purposes of the Group's reporting obligations in Australia which requires a disclosing entity, which is a registered foreign holding company to disclose condensed statements of earnings and balance sheets of both "the Closed Group" and "the Extended Closed Group" as defined by the Australian Securities and Investments Commission ("ASIC") Class Order 98/1418.

On June 30, 2004, Anvil Mining Limited, Anvil Mining Management NL, Central African Holdings Pty Ltd, Congo Development Pty Ltd, Anvil Mining No 2 Pty Ltd, Anvil Mining No 3 Pty Ltd, Leda Mining Pty Ltd and Bannon Mining Pty Ltd (together the "Closed Group") entered into a Deed of Cross Guarantee and in August 2004 a Deed of Variation (together the "Deeds"), under which each company guarantees the liabilities of all other companies that are party to the Deeds. A benefit arising from the Deeds is to relieve eligible entities from the requirements to prepare audited financial reports under the Australian Corporations Act 2001 and ASIC accounting and audit relief Orders.

The following entities form part of the consolidated entity but are not members of the Closed Group:

Anvil Mining Congo sarl, Anvil Mining Investments Limited, L'Entreprise Minière de Kolwezi sprl, Société Minière de Kolwezi sprl, AMCK Mining sprl, Anvil Mining Holdings Ltd, Anvil Mining Zambia Ltd, Anvil Mining Services sprl, Anvil International Holdings Limited, Anvil Mining Australia Pty Ltd, Anvil International Finance Limited and Anvil Mining Investment Company South Africa (Pty) Ltd (together the "Extended Closed Group").

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

Condensed Statement of Earnings

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

Condensed balance sheets

	Closed Group		Extended Closed Group ⁽¹⁾	
	December 31	December 31	December 31	December 31
	2008	2007	2008	2007
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	2,252	196,824	45,033	215,754
Restricted cash	481	—	871	322
Accounts receivable	87	3,886	24,243	65,761
Inventories	—	—	31,064	32,221
Available-for-sale investments	24,032	63,800	24,032	63,800
Prepaid expenses and deposits	<u>69</u>	<u>2,245</u>	<u>51,258</u>	<u>21,449</u>
	26,921	266,755	176,501	399,307
Receivables from subsidiaries ⁽³⁾	277,738	216,578	—	—
Equity accounted investment	1,320	5,766	1,320	5,766
Long-term receivable	—	—	12,464	3,966
Long-term inventory	—	—	10,651	—
Exploration and acquisition expenditure	2,264	255	51,352	49,680
Property, plant and equipment	151	26	280,334	228,052
Future income tax asset	<u>—</u>	<u>1,581</u>	<u>—</u>	<u>1,884</u>
	<u>308,394</u>	<u>490,961</u>	<u>532,622</u>	<u>688,655</u>

	Closed Group		Extended Closed Group ⁽¹⁾	
	December 31 2008	December 31 2007	December 31 2008	December 31 2007
	\$	\$	\$	\$
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	1,796	2,914	34,731	25,044
Income taxes payable	—	1,091	463	5,116
Other liabilities	39	—	2,460	1,296
Current portion of long-term debt	—	—	362	—
	<u>1,835</u>	<u>4,005</u>	<u>38,016</u>	<u>31,456</u>
Long-term debt	—	—	321	—
Asset retirement obligations	—	—	12,980	11,668
Future income tax liability	—	—	24,431	39,587
	<u>1,835</u>	<u>4,005</u>	<u>75,748</u>	<u>82,711</u>
Non-controlling interest	—	—	1,909	13,880
Shareholders' equity				
Equity accounts	383,978	382,540	383,978	382,540
Retained (deficit) / earnings	(77,419)	104,416	70,987	209,524
Total shareholders' equity	<u>306,559</u>	<u>486,956</u>	<u>454,965</u>	<u>592,064</u>
	<u>308,394</u>	<u>490,961</u>	<u>532,622</u>	<u>688,655</u>

- (1) The members of the consolidated entity comprising the Extended Closed Group are the same as those entities, which comprise the consolidated entity, as Anvil Mining Limited is the ultimate parent entity.
- (2) Other income / (expenses) of the Closed Group includes inter-company charges between the Closed Group and entities outside the Closed Group amounting to \$(1.5) million for the year ended December 31, 2008 (year ended 31 December 2007: -\$0.7 million) and dividends paid to entities outside the Closed Group amounting to \$135.3 million.
- (3) These long-term receivables relate to receivables from controlled entities, which are outside the Closed Group, as is listed above.

DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY (HONG KONG FINANCIAL REPORTING STANDARDS) AND ANVIL (CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS)

As described in the section entitled “Waiver from requirement to prepare an Accountants’ Report on Anvil”, the Company has applied to the Stock Exchange for, and been granted, a waiver from the requirement to produce an accountants’ report on Anvil in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of the:

- (a) Anvil Canadian GAAP Accounts. Your attention is drawn to the basis of preparation of the Anvil Canadian GAAP Accounts as set out in Note 2 to the audited consolidated financial statements for each of the years ended 31 December 2008, 2009 and 2010, and the opinion of PwC Australia, the independent auditor of Anvil; and
- (b) Anvil IFRS Accounts. Your attention is drawn to the basis of preparation of the Anvil IFRS Accounts as set out in Note 2 to the unaudited condensed consolidated financial statements for the nine months ended 30 September 2011,

(together the “**Anvil Historical Track Record Accounts**” as set out in this Appendix II.)

The Anvil Historical Track Record Accounts cover the financial positions of the Anvil Group as at 31 December 2008, 2009 and 2010 and 30 September 2011, and the results and cash flows of the Anvil Group for the three years ended 31 December 2008, 2009 and 2010 and nine months ended 30 September 2010 and 2011 (the “**Relevant Periods**”).

The unaudited interim financial statements of Anvil as at 30 September 2011 and for the nine months ended 30 September 2011 and 2010 were reviewed by Anvil’s auditor in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity’s auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements. An interim review does not provide such assurance.

The accounting policies adopted in the preparation of the Anvil Historical Track Record Accounts differ in certain material respects from the accounting policies presently adopted by the Company which comply with HKFRS. Differences, other than presentational differences, which would have a significant effect on the Anvil Historical Track Record Accounts had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with Canadian GAAP and IFRS respectively, are set out below in the section entitled “Anvil’s Unaudited Financial Information under HKFRS”.

In particular, disclosure is set out providing:

- (a) a comparison between Anvil's consolidated income statements as extracted from the Anvil Historical Track Record Accounts on the one hand (prepared in accordance with Canadian GAAP and IFRS respectively), and a restatement of such income statements had they instead been prepared in accordance with the accounting policies presently adopted by the Company in compliance with HKFRS. The process taken in the preparation of such restatement is set out below;
- (b) a comparison between Anvil's consolidated balance sheets as extracted from the Anvil Historical Track Record Accounts on the one hand (prepared in accordance with Canadian GAAP and IFRS respectively), and a restatement of such balance sheets had they instead been prepared in accordance with the accounting policies presently adopted by the Company in compliance with HKFRS. The process taken in the preparation of such restatement is also set out below; and
- (c) a discussion of the material financial statements line item differences arising out of the restatement exercise outlined in (a) and (b) above,

(together the "**Reconciliation Information**").

Reconciliation Process

The Reconciliation Information has been prepared by the Directors by comparing the differences between the accounting policies adopted by Anvil for the three years ended 31 December 2008, 2009 and 2010 prepared in accordance with Canadian GAAP and nine months ended 30 September 2010 and 2011 prepared in accordance with IFRS respectively on the one hand, and the accounting policies presently adopted by the Company in compliance with HKFRS on the other hand, and quantifying the relevant material financial effects of such differences. Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, it may not truly and fairly present Anvil's financial positions as at 31 December 2008, 2009 and 2010 and 30 September 2011, nor the results and cash flows for each of the Relevant Periods then ended, under the accounting policies presently adopted by the Company in compliance with HKFRS.

The Company's auditor, PwC Hong Kong was engaged by the Company to conduct work on the Reconciliation Information in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. The work consisted primarily of:

- (i) comparing the Unadjusted Financial Information of Anvil prepared under Canadian GAAP and IFRS respectively as set out below in the section entitled "Anvil's Unaudited Financial Information under HKFRS" with the Anvil Historical Track Record Accounts prepared under Canadian GAAP and IFRS respectively, with a view to ensuring the Unadjusted Financial Information of Anvil has been properly extracted;

- (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the Unaudited Financial Information under HKFRS also set out below in the section entitled “Anvil’s Unaudited Financial Information under HKFRS”, which included reviewing the differences between Anvil’s accounting policies and the Company’s accounting policies; and
- (iii) checking the arithmetic accuracy of the computation of the Unaudited Financial Information under HKFRS.

PwC Hong Kong’s engagement did not involve independent examination of any of the underlying financial information nor constitute an audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. PwC Hong Kong’s engagement was intended solely for the use of the directors of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, PwC Hong Kong has concluded that:

- (i) the Unadjusted Financial Information of Anvil prepared under Canadian GAAP and IFRS respectively as set out below in the section entitled “Anvil’s Unaudited Financial Information under HKFRS” has been properly extracted from the Anvil Historical Track Record Accounts;
- (ii) the adjustments made in arriving at the Unaudited Financial Information under HKFRS also set out below in the section entitled “Anvil’s Unaudited Financial Information under HKFRS” reflect, in all material respects, differences between Anvil’s accounting policies and the Company’s accounting policies; and
- (iii) the computation of the Unaudited Financial Information under HKFRS is arithmetically accurate.

ANVIL’S UNAUDITED FINANCIAL INFORMATION UNDER HKFRS

Anvil’s consolidated financial statements for the three years ended 31 December 2008, 2009 and 2010 have been prepared and presented under Canadian GAAP. There are no material differences between Anvil’s consolidated financial statements for the three financial years ended 31 December 2008, 2009 and 2010 as presented under Anvil’s then Canadian GAAP accounting policies, compared to that applying the accounting policies presently adopted by the Company in compliance with HKFRS, other than as set out below:

- (a) Accounting for Warrants;
- (b) Mine rehabilitation provision;
- (c) Assets and liabilities held for sale; and
- (d) Exploration expenditure.

Anvil has adopted IFRS from 1 January 2011 and elected to early adopt Phase 1 of IFRS 9 Financial Instrument (“**IFRS 9**”). Except for the early adoption of IFRS 9, there are no material differences between the accounting policies under IFRS and the accounting policies presently adopted by MMR in compliance with HKFRS and as such there are no material differences in accounting policies for the nine months ended 30 September 2010 and 2011.

The following unaudited consolidated statements of comprehensive income for each of the Relevant Periods and the unaudited consolidated balance sheets as at 31 December 2008, 2009 and 2010, and 30 September 2011 of Anvil under HKFRS (collectively the “**Unaudited Financial Information under HKFRS**”) are derived from the consolidated financial statements for each of the years ended 31 December 2008, 2009 and 2010, and the condensed consolidated financial statements for the nine months ended 30 September 2011 as included in this Appendix II. The consolidated statements of cash flows are not presented as there are no significant differences except for presentational differences. Your attention is drawn to the fact that the Unaudited Financial Information under HKFRS has not been subject to an independent audit. Accordingly, it may not truly present the operations during the Relevant Periods and the financial positions ended on those dates under HKFRS.

Unaudited Consolidated Statements of Comprehensive Income under HKFRS

	For the year ended 31 December				For the nine months ended 30 September					
	2008		2009		2010		2011			
	Unadjusted Financial Information under Canadian GAAP* Audited	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under Canadian GAAP* Audited	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under Canadian GAAP* Audited	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under IFRS Unaudited	Financial Information under HKFRS Unaudited		
US\$ millions	Notes									
Revenue from continuing operations		191.2	49.2	49.2	60.1	60.1	44.9	44.9	94.4	94.4
Operating expenses		(150.9)	(39.8)	(39.8)	(33.3)	(33.3)	(33.6)	(33.6)	(57.3)	(57.3)
Amortization		(43.4)	(16.5)	(16.5)	(18.1)	(18.1)	—	—	—	—
Other income		(3.1)	(7.1)	(7.1)	8.7	8.7	11.3	11.3	37.1	37.1
Share of loss in associates		8.2	1.3	1.3	7.1	7.1	2.8	2.8	30.8	30.8
Provision for impairment of assets		(0.9)	—	—	(0.5)	(0.5)	(0.2)	(0.2)	1.1	1.1
Write back of provision for impairment of assets	Note 5	(103.1)	(2.9)	(2.9)	—	—	—	—	(1.5)	(18.9)
Gain / (loss) on derivative instrument		—	—	—	4.1	9.7	5.5	5.5	—	—
General, administrative and marketing expenses	Note 2	(22.7)	(10.1)	(10.1)	(12.6)	(13.0)	(13.7)	(13.7)	(0.1)	(0.2)
Exploration expenditure cost	Note 4	(31.3)	(3.2)	(3.2)	(1.3)	(2.1)	(0.4)	(0.4)	(1.3)	(1.3)
Foreign exchange gains		0.1	0.5	0.5	2.5	2.5	—	—	—	—
Stock based compensation		(2.6)	(1.9)	(1.9)	(0.9)	(0.9)	—	—	—	—
Fair value loss on warrants carried at fair value through profit and loss	Note 1	—	—	—	—	—	—	—	—	—
Other expenses		—	—	—	(3.3)	(3.3)	(0.6)	(0.6)	(5.5)	(5.5)
Interest and financing fees		(1.4)	(1.1)	(1.1)	(2.4)	(2.4)	0.2	0.2	(3.5)	(3.5)

APPENDIX II

FINANCIAL INFORMATION OF ANVIL GROUP

US\$ millions	For the year ended 31 December						For the nine months ended 30 September								
	2008		2009		2010		2010		2011		2011				
	Unadjusted Financial Information under Canadian GAAP*	GAAP Adjustments	Financial Information under HKFRS	Unadjusted Financial Information under Canadian GAAP*	GAAP Adjustments	Financial Information under HKFRS	Unadjusted Financial Information under IFRS	GAAP Adjustments	Financial Information under HKFRS	Unadjusted Financial Information under IFRS	GAAP Adjustments	Financial Information under HKFRS			
Profit / (loss) before income tax	(156.8)	(1.0)	(157.8)	(21.0)	6.5	(14.5)	7.8	(27.2)	(19.4)	4.6	—	4.6	38.8	(18.9)	19.9
Income tax benefit	12.9	—	12.9	3.3	—	3.3	9.2	—	9.2	11.5	—	11.5	0.8	—	0.8
Net income / (loss) from continuing operations	(143.9)	(1.0)	(144.9)	(17.7)	6.5	(11.2)	17.0	(27.2)	(10.2)	16.1	—	16.1	39.6	(18.9)	20.7
Discontinued operation															
Loss from discontinued operation	—	—	—	(3.7)	—	(3.7)	(0.9)	—	(0.9)	5.4	—	5.4	—	—	—
Gain on sale of discontinued operations	—	—	—	—	—	—	5.9	—	5.9	—	—	—	—	—	—
Net profit / (loss)	(143.9)	(1.0)	(144.9)	(21.4)	6.5	(14.9)	22.0	(27.2)	(5.2)	21.5	—	21.5	39.6	(18.9)	20.7
Other comprehensive income, net of taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net unrealized gains on available-for-sale investments	0.1	—	0.1	2.2	—	2.2	—	—	—	2.1	—	2.1	(18.9)	18.9	—
Total comprehensive income / (loss)	(143.8)	(1.0)	(144.8)	(19.2)	6.5	(12.7)	22.0	(27.2)	(5.2)	23.6	—	23.6	20.7	—	20.7

Unaudited Consolidated Balance Sheets under HKFRS

	As at 31 December				As at 30 September			
	2008		2009		2010		2011	
	Unadjusted Financial Information under Canadian GAAP*	Unadjusted Financial Information under HKFRS	Unadjusted Financial Information under Canadian GAAP*	Unadjusted Financial Information under HKFRS	Unadjusted Financial Information under Canadian GAAP*	Unadjusted Financial Information under HKFRS	Unadjusted Financial Information under Canadian GAAP*	Unadjusted Financial Information under HKFRS
US\$ millions	Notes							
ASSETS								
Current assets								
Cash and cash equivalents		45.0	120.8	—	120.8	56.4	40.5	40.5
Restricted cash		0.9	—	—	—	7.3	0.2	0.2
Trade and other receivables		24.2	18.0	—	18.0	13.0	33.4	33.4
Inventories		31.1	14.2	—	14.2	14.1	36.7	36.7
Other financial assets		75.3	27.1	—	27.1	0.2	—	—
Current assets classified as held for sale	Note 3	—	2.1	5.5	7.6	—	—	—
		176.5	182.2	5.5	187.7	91.0	110.8	110.8
Non-current assets								
Restricted cash		—	0.9	—	0.9	0.5	0.5	0.5
Trade and other receivables		12.4	15.5	—	15.5	14.2	13.6	13.6
Investments in associates		1.3	—	—	—	11.9	—	—
Other financial assets		—	19.5	—	19.5	—	23.0	23.0
Inventory		10.7	11.2	—	11.2	13.1	16.8	16.8
Exploration and evaluation expenditure *	Note 4	51.4	62.4	(1.8)	60.6	61.5	61.6	61.6
Property, plant and equipment	Note 2	280.3	324.6	5.1	329.7	482.6	499.6	499.6
Non-current assets classified as held for sale	Note 3	—	5.2	(5.2)	—	1.2	—	—
		356.1	439.3	(1.9)	437.4	585.0	615.1	615.1
Total assets		532.6	621.5	3.6	625.1	681.3	725.9	725.9

APPENDIX II

FINANCIAL INFORMATION OF ANVIL GROUP

	As at December 31				As at September 30			
	2008		2009		2010		2011	
	Unadjusted Financial Information under Canadian GAAP*	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under Canadian GAAP* Audited	GAAP Adjustments Unaudited	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under IFRS Unaudited	GAAP Adjustments Unaudited	Financial Information under HKFRS Unaudited
US\$ millions								
LIABILITIES								
Current liabilities								
Trade and other payables	34.7	34.7	12.0	—	12.0	—	29.5	21.7
Current income tax	0.5	0.5	—	—	—	—	—	—
Financial liabilities at fair value through profit or loss	—	—	—	12.7	12.7	—	—	24.9
Provisions	2.4	2.4	2.3	—	2.3	—	2.6	2.2
Borrowings	0.4	0.4	0.3	—	0.3	—	4.7	13.8
Liabilities directly associated with assets classified as held for sale	—	—	1.8	1.4	3.2	—	—	—
	38.0	38.0	16.4	14.1	30.5	38.7	75.5	62.6
Non-current liabilities								
Deferred tax liabilities	24.4	24.4	21.0	—	21.0	—	10.8	9.9
Other non-current liabilities	—	—	6.7	—	6.7	—	—	—
Provisions	13.0	19.5	12.9	5.9	18.8	7.5	21.0	21.6
Borrowings	0.3	0.3	0.1	—	0.1	—	31.8	27.9
Liabilities directly associated with assets classified as held for sale	—	—	1.0	(1.0)	—	—	—	—
	37.7	44.2	41.7	4.9	46.6	7.5	63.6	59.4
Total liabilities	75.7	82.2	58.1	19.0	77.1	46.2	139.1	122.0
Net assets / (liabilities)	456.9	455.1	563.4	(15.4)	548.0	(40.9)	542.2	603.9

US\$ millions	Notes	As at December 31				As at September 30			
		2008		2009		2010		2011	
		Unadjusted Financial Information under Canadian GAAP*	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under Canadian GAAP*	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under Canadian GAAP*	Financial Information under HKFRS Unaudited	Unadjusted Financial Information under IFRS Adjustments Unaudited	Financial Information under GAAP Adjustments Unaudited
EQUITY									
Amount attributable to owners of the parent									
Share capital	Note 1	376.4	376.4	501.4	481.3	500.9	480.8	519.6	519.6
Retained earnings	Notes 1,2,4	71.0	69.2	50.1	54.8	75.1	54.3	95.9	77.0
Reserves		7.6	7.6	11.7	11.7	9.9	9.9	(7.4)	11.5
		455.0	453.2	563.2	547.8	585.9	545.0	608.1	608.1
Non-controlling interest		1.9	1.9	0.2	0.2	(2.8)	(2.8)	(4.2)	(4.2)
Total equity		456.9	455.1	563.4	548.0	583.1	542.2	603.9	603.9

* The adjustments relating to the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 4 below have been shown in the adjustment column for the years ended 31 December 2008, 2009 and 2010. As such, the Canadian GAAP balances have been restated as if the change in accounting policy did not apply. Therefore, the Canadian GAAP balances do not agree to the Anvil interim financial statements for the quarter ended March 31, 2011.

Note 1: Accounting for Warrants

The Warrants issued to Trafigura and subsequently transferred to Urion entitle the holder to acquire a fixed number of shares for a fixed C\$ price per share. In accordance with HKFRS, an obligation to issue shares for a price that is not fixed in the company's functional currency (USD from the perspective of Anvil), and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value through profit or loss in accordance with the requirements of HKAS 32 Financial Instruments: Disclosure and Presentation ("HKAS 32"). This requirement has resulted in a reclassification of the Warrants issued to Trafigura from equity to financial liabilities measured at fair value through profit or loss. Under HKAS 32, the financial liability will be accounted for at fair value through profit or loss until such time that the Warrants are exercised, at which point the liability will be transferred to equity.

Had Anvil adopted the requirements of HKAS 32, the impact of this reclassification on profit or loss and the carrying amount of the financial liability for the years ended 31 December 2008, 2009 and 2010 would have been as follows:

US\$ millions	Year ended 31 December		
	2008	2009	2010
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Warrants: fair value adjustment			
Impact on profit or loss — gain / (loss)	—	7.4	(26.0)
Impact on retained earnings (decrease)	—	—	7.4
Carrying amount of liability at end of period	—	12.7	38.7

Anvil adopted IFRS for the financial period from 1 January 2011, from this date Anvil's accounting policy is aligned with that of the Company.

Note 2: Mine rehabilitation provision

Consistent with HKFRS, rehabilitation provisions have been measured under Canadian GAAP based on the estimated cost of rehabilitation, discounted to its net present value upon initial recognition. However, adjustments to the discount rate have not been reflected in the provisions or the related assets under Canadian GAAP unless there was an upward revision of the future cost estimates. The discount rate required under Canadian GAAP was a credit-adjusted rate, which is different to the risk-adjusted rate required under HKFRS.

Anvil has elected to apply the available exemption from full retrospective application as allowed under IFRS 1 First-time Adoption of IFRS. In accordance with the exemption, Anvil has remeasured the asset retirement liability under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets ("HKAS 37"). The corresponding amount to be included in the related asset has been estimated by discounting the liability to the date on which the liability arose, and recalculating the accumulated amortization under IFRS.

Had Anvil adopted the requirements of HKAS 37, the impact of this reclassification on profit or loss and the carrying amount of the rehabilitation provision for the years ended 31 December 2008, 2009 and 2010 would have been as follows:

US\$ millions	Year ended 31 December		
	2008	2009	2010
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Rehabilitation provision			
Impact on profit or loss — net gain / (loss)	(0.2)	0.1	(0.4)
Impact on retained earnings (decrease)	(0.8)	(0.9)	(1.0)
Carrying amount of liability at end of period	(19.5)	(20.1)	(20.8)
Carrying amount of asset at end of period	13.6	13.4	14.1

Anvil adopted IFRS for the financial period from 1 January 2011, from this date Anvil's accounting policy is aligned with that of the Company.

Note 3: Assets and liabilities held for sale

Non-current assets classified as held for sale and non-current liabilities classified as held for sale at transition date have been reclassified to current assets held for sale and current liabilities directly associated with assets classified as held for sale in accordance with the requirements of HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations ("HKFRS 5").

Had Anvil adopted the requirements of HKFRS 5, the impact of this reclassification for the years ended 31 December 2008, 2009 and 2010 would have been as follows:

US\$ millions	Year ended 31 December		
	2008	2009	2010
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Assets Held for Sale			
Carrying amount of current assets at end of period	—	5.5	1.2
Carrying amount of non-current assets at end of period	—	(5.2)	(1.2)
Liabilities Held for Sale			
Carrying amount of current liabilities at end of period	—	1.4	—
Carrying amount of non-current liabilities at end of period	—	(1.0)	—

Anvil adopted IFRS for the financial period from 1 January 2011, from this date Anvil's accounting policy is aligned with that of the Company.

Note 4: Exploration expenditure

In accordance with Anvil's accounting policy for the financial years ending 2008, 2009 and 2010, 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.

In comparison, the Company's accounting policy states that exploration and evaluation assets are only recognised if the expenditures are expected to be recouped through successful development and exploitation of the area of interest.

Had Anvil adopted the Company's accounting policy, the impact of the adjustments on profit or loss and the carrying amount of exploration and acquisition expenditure for the years ended 31 December 2008, 2009 and 2010 would have been as follows:

US\$ millions	Year ended 31 December		
	2008	2009	2010
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Exploration and Acquisition Expenditure			
Impact on profit or loss — gain / (loss)	(0.8)	(1.0)	(0.8)
Impact on retained earnings (decrease)	—	(0.8)	—
Carrying amount of asset at end of period	50.6	60.6	60.7

As at 1 January 2011, Anvil changed its accounting policy, from this date Anvil's accounting policy is aligned with that of the Company.

Note 5: Equity Investments

Anvil elected to early adopt Phase 1 of IFRS 9 Financial Instruments (“**IFRS 9**”) as issued in December 2009. Phase 1 of IFRS 9 replaced the provisions of IAS 39 Financial Instruments: Recognition and Measurement (equivalent to HKAS 39 Financial Instruments: Recognition and Measurement) that relate to the classification and measurement of financial assets. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. While IFRS 9 does not need to be applied until financial reporting periods commencing on or after January 1, 2013, Anvil has elected to adopt Phase 1 early from April 1, 2011.

Anvil made an irrevocable election to recognise changes in fair value of the equity investment in Mawson West through other comprehensive income or reserves, rather than profit or loss.

The Group has not elected to early adopt HKFRS 9 and therefore impairment charges on available-for-sale financial assets are recognised in the income statement in the Group’s financial statements.

As such, there is a difference in accounting policy between Anvil recognising impairment charges on equity investments held as non-trading in reserves compared to the Company recognising impairment charges on available-for-sale financial assets in profit or loss.

Had Anvil not elected to early adopt IFRS 9 in accordance with the Group, the impact of this reclassification on profit or loss and the carrying amount of the reserves for the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 would have been as follows:

US\$ millions	For the year ended			For the nine months	
	31 December			ended	
	2008	2009	2010	2010	2011
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Equity Investments					
Impact on profit or loss — net gain / (loss)	—	—	—	—	(18.9)
Carrying amount of reserves at end of period — financial assets revaluation reserve	—	—	—	—	—

SUPPLEMENTAL FINANCIAL INFORMATION OF THE ANVIL GROUP

The Company sets out the following supplemental financial information of the Anvil Group, which was not included in Anvil's audited financial statements showing the financial information for the three financial years ended 31 December 2008, 2009 and 2010 nor was it included in Anvil's unaudited condensed consolidated financial statements for the 9 months ended 30 September 2011.

Borrowings

	As at 30 Sep 2011 US\$'000
Total borrowings	<u>43,000</u>
Analysed as:	
- Secured	43,000
- Unsecured	<u>—</u>
	<u>43,000</u>

Borrowings are repayable as follows:

	As at 31 Dec 2008 US\$'000	As at 31 Dec 2009 US\$'000	As at 31 Dec 2010 US\$'000	As at 30 Sep 2011 US\$'000
- Within 1 year	442	312	5,352	14,250
- Between 1 and 2 years	312	75	10,500	14,250
- Between 2 and 5 years	52	—	26,250	14,500
- Over 5 years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Borrowings	806	387	42,102	43,000
Effect of discount rates	(123)	(23)	—	—
Netting of deferred borrowing costs	<u>—</u>	<u>—</u>	<u>(5,624)</u>	<u>(1,323)</u>
Total Net Borrowings as per Financial Statements	<u>683</u>	<u>364</u>	<u>36,478</u>	<u>41,677</u>
Analysed as:				
- Secured	806	387	42,102	43,000
- Unsecured	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Accounts receivable and other receivables

	As at 31 Dec 2008		As at 31 Dec 2009		As at 31 Dec 2010		As at 30 Sep 2011	
	US\$'000	% US\$'000	US\$'000	% US\$'000	US\$'000	% US\$'000	US\$'000	%
Less than 6 months	22,053	50	15,493	38	10,849	40	26,920	57
6 months - 1 year	9,965	22	10,065	24	2,140	8	6,459	12
1 - 2 years	—	—	3,256	8	3,420	12	3,456	7
Over 2 years	<u>12,464</u>	<u>28</u>	<u>12,212</u>	<u>30</u>	<u>10,832</u>	<u>40</u>	<u>10,144</u>	<u>22</u>
	44,482	<u>100</u>	41,026	<u>100</u>	27,241	<u>100</u>	46,979	<u>100</u>
Less provision for impairment	<u>(7,775)</u>		<u>(7,591)</u>		<u>—</u>		<u>—</u>	
	<u>36,707</u>		<u>33,435</u>		<u>27,241</u>		<u>46,979</u>	

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. 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 Anvil 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.

Trade and other payables

	As at 31 Dec 2008		As at 31 Dec 2009		As at 31 Dec 2010		As at 30 Sep 2011	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Less than 6 months	11,819	60	7,676	100	12,207	100	3,369	100
6 months - 1 year	7,880	40	—	—	—	—	—	—
1 - 2 years	—	—	—	—	—	—	—	—
Over 2 years	—	—	—	—	—	—	—	—
	19,699	<u>100</u>	7,676	<u>100</u>	12,207	<u>100</u>	3,369	<u>100</u>
Other payables and accruals	<u>15,032</u>		<u>4,361</u>		<u>17,301</u>		<u>18,364</u>	
	<u>34,731</u>		<u>12,037</u>		<u>29,508</u>		<u>21,733</u>	

These amounts represent liabilities for goods and services provided to the Anvil Group prior to the end of the 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.

Interests in subsidiaries

Unquoted investments of Anvil in subsidiaries comprise the following:

Name of subsidiary	Country of Incorporation	Principal Activity	Particulars of issued or paid up capital	Shareholder	Equity holdings as at December 31, 2008	Equity holdings as at December 31, 2009	Equity holdings as at December 31, 2010	Equity holdings as at September 30, 2011
Anvil Mining Investments Limited	British Virgin Islands	Investment and finance	10,050,001 ordinary shares at \$1.00 each	Anvil Mining Limited	100%	100%	100%	100%
African Invest Group Limited	British Virgin Islands	Finance	2 ordinary shares at US\$1.00 each	Anvil Mining Limited	100%	100%	100%	100%
Anvil Mining Australia Pty Ltd	Australia	Corporate and administration services	2 ordinary shares at AS\$1.00 each	Anvil Mining Investments Limited	100%	100%	100%	100%
Congo Developments Pty Ltd	Australia	Trust company	2 ordinary shares at AS\$1.00 each	Anvil Mining Investments Limited	100%	100%	100%	100%
Central African Holdings Pty Ltd	Australia	Trust company	2 ordinary shares at AS\$1.00 each	Anvil Mining Investments Limited	100%	100%	100%	100%
Entreprise Minière de Kolwezi	Democratic Republic of Congo	Mineral exploration and production	1,000 shares	Anvil Mining Investments Limited	99.99%	99.99%	99.99%	99.99%
Société Minière de Kolwezi	Democratic Republic of Congo	Mineral exploration and production	1,000 shares	Entreprise Minière de Kolwezi	80%	70%	70%	70%
AMCK Mining sprl	Democratic Republic of Congo	Mineral exploration and production	1,000 shares	Anvil Mining Investments Limited	95%	95%	95%	95%
Anvil Mining Services sprl	Democratic Republic of Congo	Mineral exploration	1,000 shares	Anvil Mining Investments Limited	100%	100%	100%	100%
Leda Mining Congo sprl	Democratic Republic of Congo	Mineral exploration	1,000 shares	Anvil Mining Investments Limited	99.99%	99.99%	99.99%	99.99%
Bannon Mining Congo sprl	Democratic Republic of Congo	Mineral exploration	1,000 shares	Anvil Mining Investments Limited	100%	100%	100%	100%
Anvil Mining Zambia Limited	Zambia	Mineral exploration and logistics	500,000 shares of K1.00 each	Anvil Mining Holdings Limited	100%	100%	100%	100%
Anvil Mining Investment Company South Africa	South Africa	Service provider	100 ordinary shares of ZAR1.00	Anvil Mining Investments Limited	100%	100%	100%	100%
Anvil Mining Holdings Limited	United Kingdom	Investment	2 ordinary shares	Anvil Mining Limited	100%	100%	100%	100%

Details of Anvil director's and past director's emoluments on a named basis.

Detailed list of current accounts with Anvil directors at year/period end and the maximum amount outstanding during the year/period

Anvil did not at any time during the period 1 January 2008 to 30 September 2011 provide current accounts with directors of Anvil.

Analysis of Anvil directors' remuneration waived, if any, for each of the relevant years/periods

Anvil did not at any time during the period 1 January 2008 to 30 September 2011 waive any directors' remuneration.

Anvil directors and Senior Management Emoluments

The remuneration of every Anvil director for the nine months ended 30 September 2011 is set out below:

Name of Anvil Director	Fees / Salaries	Option based awards	Annual incentive plan	Pension Value	All other benefits	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
John W. Sabine	90,000	—	—	—	—	90,000
William S. Turner ¹	416,818	—	1,074,490 ²	92,411	361,373 ³	1,945,092
Thomas C. Dawson	63,000	—	—	—	—	63,000
Patrick Evans	63,000	—	—	—	—	63,000
Jeremy Weir	—	—	—	—	—	—
Jesus Fernandez	—	—	—	—	—	—
M. Deon Garbers	—	—	—	—	—	—
Darryll J. Castle ⁴	208,333	1,247,600	—	—	1,840,573 ⁵	3,296,506
	<u>841,151</u>	<u>1,247,600</u>	<u>1,074,490</u>	<u>92,411</u>	<u>2,201,946</u>	<u>5,457,598</u>

1. Until 30 June 2011, Mr William S. Turner was the President and CEO of Anvil and also a director of Anvil. Mr. Turner did not receive any compensation related to his role as a director of Anvil.
2. In February 2011, Mr Turner received an award under the executive and senior staff incentive plan of US\$1,074,490 in respect of the 2010 year.
3. Mr Turner received leave entitlements of US\$361,373 in connection with his retirement from Anvil on 30 June 2011.
4. On 1 May 2011 Mr Castle became the President and CEO of Anvil and also a director of Anvil. Mr. Castle does not receive any compensation related to his role as a director of Anvil.

5. Pursuant to his commencement as CEO of Anvil, Mr Castle was awarded 284,727 restricted shares as compensation for the benefit of unvested stock options granted to Mr Castle under the option plan of his previous employer.

The remuneration of every Anvil director for the nine months ended 30 September 2010 is set out below:

Name of Anvil Director	Fees / Salaries	Option based awards	Annual incentive plan	Pension Value	All other benefits	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
John W. Sabine	90,000	89,355	—	—	—	179,355
William S. Turner	541,266 ¹	—	—	57,993	—	599,259
Thomas C. Dawson	63,000	89,355	—	—	—	152,355
Patrick Evans	63,000	89,355	—	—	—	152,355
Jesus Fernandez	—	97,645	—	—	—	97,645
Jeremy Weir	—	97,645	—	—	—	97,645
M. Deon Garbers	—	97,645	—	—	—	97,645
Kenneth L. Brown ²	<u>13,767</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,767</u>
	<u>771,033</u>	<u>561,000</u>	<u>—</u>	<u>57,993</u>	<u>—</u>	<u>1,390,026</u>

1. During 2010, Mr William S. Turner was the President and CEO of Anvil and also a director of Anvil. Mr Turner did not receive any compensation related to his role as a director of Anvil.
2. Mr Brown resigned from Anvil's Board on 28 February 2010.

The remuneration of every Anvil director for the year ended 31 December 2010 is set out below:

Name of Anvil Director	Fees / Salaries	Option based awards	Annual incentive plan	Pension Value	All other benefits	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
John W. Sabine	120,000	89,355	—	—	—	209,355
William S. Turner ¹	821,790	—	—	88,048	—	909,838
Thomas C. Dawson	84,000	89,355	—	—	—	173,355
Kenneth L. Brown	13,767	—	—	—	—	13,767
Patrick Evans	88,208	89,355	—	—	—	177,563
Jeremy Weir	—	97,645	—	—	—	97,645
Jesus Fernandez	—	97,645	—	—	—	97,645
M. Deon Garbers	—	97,645	—	—	—	97,645
	<u>1,127,765</u>	<u>561,000</u>	<u>—</u>	<u>88,048</u>	<u>—</u>	<u>1,776,813</u>

1. During 2010, Mr William S. Turner was the President and CEO of Anvil and also a director of Anvil. Mr Turner does not receive any compensation related to his role as a director of Anvil.

The remuneration of every Anvil director for the year ended 31 December 2009 is set out below:

Name of Anvil Director	Fees / Salaries	Option based awards	Annual incentive plan	Pension Value	All other benefits	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
John W. Sabine	111,978	112,825	—	—	—	224,803
William S. Turner ¹	498,706	396,649	—	61,470	9,563	966,388
Thomas C. Dawson	78,384	157,473	—	—	—	235,857
Peter J Bradford	78,384	157,473	—	—	—	235,857
Kenneth L. Brown	78,384	112,825	—	—	—	191,209
Patrick Evans	31,186	153,463	—	—	—	184,649
Jeremy Weir	—	—	—	—	—	—
Jesus Fernandez	—	—	—	—	—	—
M. Deon Garbers	—	—	—	—	—	—
	<u>877,022</u>	<u>1,090,708</u>	<u>—</u>	<u>61,470</u>	<u>9,563</u>	<u>2,038,763</u>

1. During 2009, Mr William S. Turner was the President and CEO of Anvil and also a director of Anvil. Mr Turner did not receive any compensation related to his role as a director of Anvil.

The remuneration of every Anvil director for the year ended 31 December 2008 is set out below:

Name of Anvil Director	Salaries	Option based awards	Annual incentive plan	Pension Value	All other compensation	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
John W. Sabine	77,500	146,445	—	—	—	223,945
William S. Turner	792,990	547,455	543,840	104,069	53,452	2,041,806
Peter J. Bradford	59,500	146,445	—	—	—	205,945
Thomas C. Dawson	59,500	146,445	—	—	—	205,945
Kenneth L. Brown ²	<u>54,500</u>	<u>549,023</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>603,523</u>
	<u>1,043,990</u>	<u>1,535,813</u>	<u>543,840</u>	<u>104,069</u>	<u>53,452</u>	<u>3,281,164</u>

1. During 2008, Mr William S. Turner was the President and CEO of Anvil and also a director of Anvil. Mr Turner did not receive any compensation related to his role as a director of Anvil.
2. Mr. Brown joined the Anvil Board in November 2006, however only received the stock options (50,000) pursuant to his appointment as provided for in Anvil's stock option plan (as it existed at the time of his appointment) in February 2008. Subsequent grants of stock options (25,000) at the time when the Anvil Board holds its first meeting each year for the 2007 and 2008 year, also pursuant to the terms of Anvil's stock option plan as it then existed, were also made in February 2008. Anvil's stock option plan was replaced by the Share Incentive Plan, following approval at the 2008 annual and special general meeting of Anvil.

Description of emolument policy and long-term incentive schemes and the basis of determining emoluments payable to directors

Following the approval of Anvil Shareholders at the annual and special meeting held in May 2008, Anvil increased the annual retainer for non-employee directors to US\$72,000, effective from 1 July 2008. The chairman of the Anvil Board receives an additional US\$48,000 and the chairman of an Anvil Board committee receives an additional US\$12,000 in recognition of their additional responsibilities. Anvil directors may also be awarded options to purchase Common Shares of Anvil or granted other awards, in accordance with the provisions of the Share Incentive Plan.

An Anvil director, who, in accordance with the provisions of the Share Incentive Plan, elects to receive deferred share units, in lieu of the Anvil director's annual retainer, in whole or in part, may include those deferred share units in the total Common Shares required to be held by Anvil directors. A deferred share unit entitles the recipient to receive a cash amount from Anvil equal to the value of a Common Share on ceasing to hold an office, position or directorship with Anvil.

Anvil directors are also reimbursed for transportation and other out-of-pocket expenses reasonably incurred for attendance at Anvil Board and Anvil Board committee meetings and in connection with the performance of their duties as directors.

In June 2010, the Anvil Board established a committee of the Anvil Board (the "**Special Committee**"), comprised of John Sabine, Thomas Dawson and Patrick Evans, for the purpose of considering possible alternatives for Anvil to establish a pipeline of growth opportunities to increase the scale of its operations and enhance shareholder value. Under the terms of the Special Committee's establishment, the Anvil Board was tasked with determining the remuneration appropriate for the members of the Special Committee. In acknowledgement of the work performed and expected to be performed by the Special Committee, in August 2010, members of the Special Committee were each awarded 25,000 options to purchase Common Shares.

Five highest paid individuals

Emoluments payable to the five individuals whose emoluments were the highest in the Anvil Group for the year are as follows:

	Year ended 31 December			9 months ended	
	2008	2009	2010	2010	2011
	US\$	US\$	US\$	US\$	US\$
Basic salaries and other benefits	2,457,053	2,138,152	1,937,054	1,641,913	1,844,985
Long-term incentives	852,063	—	—	—	3,088,173
Bonuses	849,510	915,898	287,295	—	1,576,655
	<u>4,158,626</u>	<u>3,054,050</u>	<u>2,224,349</u>	<u>1,641,913</u>	<u>6,509,813</u>

APPENDIX II
FINANCIAL INFORMATION OF ANVIL GROUP

The emoluments fell within the following bands:

	Year ended 31 December			9 months ended	
	2008	2009	2010	30 September 2010	2011
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
HK\$1,500,001 — HK\$2,300,000 (US\$200,001 — US\$300,000)	—	—	2	3	1
HK\$2,300,001 — HK\$3,100,000 (US\$300,001 — US\$400,000)	—	1	2	1	1
HK\$3,100,001 — HK\$3,600,000 (US\$400,001 — US\$500,000)	2	2	—	—	1
HK\$3,600,001 — HK\$4,000,000 (US\$500,001 — US\$600,000)	1	—	—	—	—
HK\$6,000,001 — HK\$6,500,000 (US\$700,001 — US\$800,000)	1	1	—	1	—
HK\$7,000,001 — HK\$7,500,000 (US\$900,001 — US\$1,000,000)	—	1	1	—	—
HK\$14,500,001 — HK\$15,000,000 (US\$1,900,001 — US\$2,000,000)	—	—	—	—	1
HK\$15,000,001 — HK\$15,500,000 (US\$2,000,001 — US\$2,100,000)	1	—	—	—	—
HK\$24,000,001 — HK\$24,800,000 (US\$3,200,001 — US\$3,300,000)	—	—	—	—	1
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

The five individuals whose emoluments were the highest in the Anvil Group are analysed as follows:

Number of individuals	Year ended 31 Dec 2008	Year ended 31 Dec 2009	Year ended 31 Dec 2010	Nine months ended 30 Sep 2010	Nine months ended 30 Sep 2011
Anvil directors	2	1	1	1	2
Other individuals	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Capital commitments

Capital commitments authorised but not contracted for at the reporting date are set out in the table below:

	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2010	As at 30 Sep 2011
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property, plant and equipment authorised but not contracted for	<u>—</u>	<u>—</u>	<u>23,404</u>	<u>14,948</u>
	<u>—</u>	<u>—</u>	<u>23,404</u>	<u>14,948</u>

Critical accounting estimates

Critical accounting estimates apply to the years ended 31 December 2008, 2009 and 2010 are set out in the 2008, 2009 and 2010 financial statements on pages II-168 to II-169, pages II-103 to II-105 and pages II-41 to II-42 respectively of this circular.

The following critical accounting estimates apply to the nine month period ended 30 September 2011:

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; units-of-production depreciation and amortization calculations; estimates of recoverable copper in stockpile; environmental, reclamation and closure obligations.

ii) Impairment of non-current assets

In accordance with HKAS 36, the Anvil Group assesses annually whether there are any indicators of impairment in relation to non-current assets. Where such indicators are present, the carrying amount of the non-current asset or group of assets being tested for impairment is compared to its recoverable amount, being the higher of fair value less costs to sell or value in use. Determining recoverable amount requires the use of management estimates and assumptions relating to future cash flows expected to arise from the asset or group of assets and a suitable discount rate in order to calculate present value, where required. When these assumptions become known in the future, and to the extent that they differ from the assumptions made, such differences will impact the recoverable amount of non-current assets.

iii) Useful lives of property, plant and equipment and mine properties

The Anvil 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.

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. Anvil 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 Anvil 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 Anvil Group estimates its tax liabilities based on the Anvil 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.

Utilisation of tax losses depends on the ability of the entity to satisfy whether it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

v) Valuation of warrants

Anvil determines the fair value of warrants classified as liabilities at fair value through profit or loss using the Black-Scholes model.

vi) Mine rehabilitation and closure provision

Anvil annually assesses the appropriateness of the mine rehabilitation and closure provision recognised. Significant judgement is required in determining the mine rehabilitation and closure provision, including management estimates in relation to the amount and timing of expected cash flows and the determination of a suitable discount rate in order to calculate the net present value of the mine rehabilitation and closure liability at reporting date. When these assumptions become known in the future, and to the extent that they differ from the assumptions made, such differences will impact the amount of the mine rehabilitation and closure provision recognised.

vii) Mine properties under construction

Determining the date on which assets under construction are capable of operating as intended is a key Anvil management judgement. This determines the date on which Anvil ceases capitalising construction related costs and commences depreciation and amortization of the related assets. Anvil management had regard to a range of factors in exercising this judgement in relation to the SX-EW Plant. In particular, the following key milestones needed to have been met before the plant was deemed to be capable of operating as Anvil management intended:

- (i) Completion of testing the SX-EW Plant's components, with satisfactory test results;
- (ii) Functional specification and design criteria;
- (iii) Minimal down-time and satisfactory recovery rates (plant stability); and
- (iv) Satisfactory daily and monthly average production rates.

Anvil management determined that the plant was capable of operating as intended on 1 August 2011.

Anvil employee benefits are required to be disclosed separately including expenses incurred for defined benefits plans.

The Anvil Group does not operate a defined benefit plan.

Inventories pledged as security for liabilities.

As at 30 September 2011, as security for all obligations under the Loan Facility and related agreements, each of African Invest Group, Anvil and AMCK are required to give security over all of their present and future assets.

As at 31 December 2010, as security for all obligations under the Loan Facility and related agreements, each of African Invest Group, Anvil and AMCK are required to give security over all of their present and future assets. In addition there is also a mortgage liability secured over offices and accommodation in the DRC located at 7409 Avenue de la Revolution, Lubumbashi (the “**Underlying Property**”).

As at 31 December 2009, as security for all obligations under the Loan Facility and related agreements, each of African Invest Group, Anvil and AMCK are required to give security over all of their present and future assets. In addition there is also a mortgage liability secured over the Underlying Property.

As at 31 December 2008, a loan liability is secured over the Underlying Property.

Related Party Transactions

Related parties include Anvil’s major shareholders, jointly-controlled entities and associates, and key management personnel Anvil as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of Anvil believe that meaningful information in respect of related party transactions has been adequately disclosed. The following is a summary of significant related party transactions entered in the ordinary course of business between the Anvil Group and its related parties during the year.

(a) **Subsidiaries**

Anvil’s interest in subsidiaries is set out in the table entitled “Interests in Subsidiaries,” above.

(b) **Key management personnel remuneration**

The key management personnel remuneration for Anvil was as follows:

	Year ended 31 December			9 months ended 30 September
	2008	2009	2010	2011
	US\$	US\$	US\$	US\$
Salaries and other short-term benefits	5,569,864	3,288,126	2,620,558	3,077,442
Other long-term benefits	—	—	—	—
Post-employment benefits	—	—	—	—
Termination benefits	1,142,778	1,009,600	35,075	342,771
Share based payments	<u>2,036,686</u>	<u>1,120,015</u>	<u>259,241</u>	<u>2,751,128</u>
	<u>8,749,328</u>	<u>5,417,741</u>	<u>2,914,874</u>	<u>6,177,341</u>

(c) **Transactions with related parties**

On 17 September 2009, and 16 December 2009, Anvil issued to Trafigura 15,644,293 and 32,753,636 Common Shares at a price of C\$2.20 per share respectively. In addition Anvil also issued 3,629,476 and 7,598,844 Warrants to Trafigura respectively, with each whole Warrant entitling the holder to acquire one additional Common Share upon payment of C\$2.75 (for a period of thirty months from the date of issuance of the Warrant).

As at 31 October 2011, Trafigura is the beneficial owner of 59,248,729 Common Shares, representing 37.6% of Anvil's issued and outstanding Common Shares and 5,228,320 Warrants with an exercise price of C\$2.75 per Warrant.

Since the issue of Common Shares and Warrants to Trafigura in 2009, Anvil has entered into transactions with Trafigura for the sale of copper concentrates and copper cathode, the supply of fuel and acid to Kinsevere, the provision of technical services and the Loan Facility (as defined below) all of which were on arms-length commercial terms.

Loan Facility

In December 2009, Anvil reached agreement with Trafigura on the terms and conditions under which Trafigura made available to Anvil the loan facility with a total commitment of US\$100 million for the sole purpose of funding the completion of Kinsevere Stage II (the "**Loan Facility**"). The Loan Facility bears interest at a fixed margin of 4.0% over 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.

The Anvil Group made its first drawdown under the Loan Facility in October 2010.

As at 30 September 2011, Anvil had drawn down US\$57 million, repaid US\$14.0 million of outstanding principal and made interest payments of US\$1.0 million. As at 30 September 2011, outstanding principal under the Loan Facility was US\$43.0 million.

Sale of cathode and copper concentrates

In January 2010, Anvil entered into contracts with Trafigura, under which it agreed to sell its 2010 forecast production of concentrate from its HMS Plant. These sales contracts are benchmarked to LME prices and are on standard commercial terms for comparable sales contracts. For the 12 months ended 31 December 2010 Anvil received US\$58.6 million from Trafigura for the sale of copper concentrates. For the 9 months ended 30 September 2011 Anvil sold US\$137.6 million of cathode and copper concentrates to Trafigura.

Technical services

In November 2009, Anvil entered into a Technical Services Agreement with Trafigura, under the terms of which, a technical committee was established, comprising an equal number of Anvil and Trafigura appointees, to address all material technical issues relating to the development of Kinsevere Stage II. The technical committee makes recommendations to the Anvil Board and can take appropriate and additional steps to promote and safeguard Kinsevere Stage II.

The technical committee (upon approval of the Anvil Board) may appoint Trafigura, on a case-by-case basis, to provide services related to project management support, data processing, technical services support, coordination and consulting at Kinsevere Stage II. Where Trafigura is unable or unavailable to perform any services which it has been appointed to provide to Anvil or AMCK, Trafigura may engage independent contractors to provide such services. For the 12 months ended 31 December 2010 Anvil paid to Trafigura an amount of US\$0.8 million for the provision of technical services. For the 9 months ended 30 September 2011 Anvil incurred costs of US\$0.2 million for the provision of technical services, fuel and acid supply.

Anvil has ongoing requirements for diesel fuel at its Kinsevere operations. Trafigura is one of several fuel suppliers from whom Anvil obtains quotations for the supply of fuel to Kinsevere. For the 12 months ended 31 December 2010 Anvil purchased fuel for its Kinsevere operations to a value of US\$3.2 million. For the 9 months ended 30 September 2011 Anvil purchased fuel for its Kinsevere operations to a value of US\$9.1 million. Fuel supplied to support Anvil's care and maintenance activities at Mutoshi is not provided by Trafigura. In January 2011, following a tender process, Anvil entered into an agreement with Trafigura under which Trafigura shall supply sulphuric acid to meet the requirements for the SX-EW Plant for a period of 12 months. For the 9 months ended 30 September 2011 Anvil purchased sulphuric acid to a value of US\$2.6 million.

Exercise of Warrants

During January 2011, Trafigura exercised six million Warrants for proceeds of approximately US\$16.6 million.

(d) Year end balances

	As at 31 Dec 2008 <i>US\$'000</i>	As at 31 Dec 2009 <i>US\$'000</i>	As at 31 Dec 2010 <i>US\$'000</i>	As at 30 Sep 2011 <i>US\$'000</i>
Receivables from, net - intermediate and ultimate holding companies	<u>—</u>	<u>5,368</u>	<u>489</u>	<u>16,538</u>
Payables to - intermediate and ultimate holding companies	<u>—</u>	<u>—</u>	<u>364</u>	<u>126</u>

(e) Loan from related party

	As at 31 Dec 2008 <i>US\$'000</i>	As at 31 Dec 2009 <i>US\$'000</i>	As at 31 Dec 2010 <i>US\$'000</i>	As at 30 Sep 2011 <i>US\$'000</i>
Loan from a related party	<u>—</u>	<u>—</u>	<u>42,000</u>	<u>43,000</u>

Share based payments

1) Share Incentive Plan

The Share Incentive Plan provides for the issue of options to purchase shares in Anvil. In accordance with the listing rules of the TSX, the Share Incentive Plan is classified as a security based compensation arrangement which does not have a fixed maximum number of securities issuable and all unallocated options, rights or other entitlements thereunder must be submitted to Anvil Shareholders for approval every three years. Key features of the Share Incentive Plan are as follows:

Vesting requirements

The Anvil Board may determine and impose terms upon which options to purchase shares of Anvil shall become vested.

Maximum term of options granted

The Anvil Board set the expiry date for each option at the time of issue of the option, provided that the expiry date shall not be more than six years after the date on which the option is granted.

This requirement is subject to an extension of the expiry date where the expiry date of an option falls within a blackout period or within two business days after the expiry of a blackout period, the expiry date shall be deemed to be the date that is 10 business days after the expiry of the blackout period.

Method of settlement

An option shall be exercisable by delivering, prior to the expiry date, to Anvil, a notice specifying the number of shares in Anvil, in respect of which the option is exercised, together with payment in full of the exercise price for each such share (the “**Option Price**”). Upon notice and payment, there will be a binding contract for the issue of the shares in respect of which the option is exercised, on and subject to the provisions of the Share Incentive Plan. Delivery of the optionee’s cheque payable to Anvil in the amount the Option Price shall constitute payment of the Option Price unless the cheque is not honoured upon presentation in which case the option shall not have been validly exercised. All shares subscribed for on exercise of the option shall be paid in full at the time of subscription.

Options granted under the Share Incentive Plan:

Year ended 31 December 2008	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
Number of options	2,162,879	506,157	(129,334)	(213,727)	—	2,325,975	939,015
Weighted average exercise price	7.59	12.07	5.50	10.83	—	8.39	5.74
Year ended 31 December 2009	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
Number of options	2,325,975	2,830,000	—	(871,590)	—	4,284,385	2,082,382
Weighted average exercise price	8.39	1.35	—	6.39	—	4.15	5.15

APPENDIX II**FINANCIAL INFORMATION OF ANVIL GROUP**

Year ended 31 December 2010	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
Number of options	4,284,385	500,000	(435,000)	—	(225,000)	4,124,385	3,539,065
Weighted average exercise price	4.15	3.05	1.51	12.96	6.37	4.17	4.13
9 months ended 30 September 2011	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
Number of options	4,124,385	850,000	(900,000)	(31,024)	—	4,043,361	3,075,691
Weighted average exercise price	4.17	4.90	2.14	12.96	—	4.97	4.89

The outstanding Options granted under the Share Incentive Plan shall lapse upon completion of the Offer. It is the Company's intention to terminate the Share Incentive Plan upon completion of the Offer.

2) Employee share purchase plan

In January 2008, Anvil instituted the ESPP. All employees of Anvil (excluding employees who are a party to the union negotiated collective agreement and who are eligible for a production bonus under that agreement), including executives, are eligible to participate in the ESPP. The ESPP provides that an employee may contribute up to 5% of his or her remuneration in each monthly pay period to the ESPP for the purchase of Common Shares of Anvil on a monthly basis. Common Shares are purchased on the ASX or TSX by an administrative agent and trustee on behalf of the ESPP. Anvil makes a matching contribution to each purchase of Common Shares equal to one-half of the employee's contribution. Anvil also made a bonus contribution on behalf of each employee who enrolled in the ESPP during the first enrolment period equal to the employee's contribution rate multiplied by the employee's regular annual compensation. Anvil will make a bonus contribution on behalf of each employee who enrolled in the ESPP after the first enrolment period equal to the employee's contribution rate multiplied by the employee's regular annual compensation, which bonus contribution will be made on the one-year anniversary of the employee's enrolment in the ESPP. Common Shares purchased under the ESPP are subject to a twelve-month hold period from the date of purchase and during the hold period Common Shares may be withdrawn from the ESPP only in the event of death, retirement, permanent layoff, dismissal other than for cause and change of control by takeover. An employee who ceases employment by Anvil for any other reason will forfeit any Common Shares that are subject to the twelve-month hold period that were purchased with contributions from Anvil. The ESPP will be terminated upon completion of the Offer.

3) Executive and Senior Staff Incentive Plan

Anvil established the ESSIP in July 2008. The ESSIP provides for a variable component of compensation in the form of cash and shares in Anvil that is directly related to the performance of Anvil 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 “**NCCG Committee**”) is responsible for setting the relevant performance objectives. The ESSIP also reinforces Anvil’s corporate values of ensuring a safe and healthy workplace and protecting the environment.

Under the ESSIP, the total incentive is calculated as a percentage of an employee’s salary, with half the incentive value applied to purchase shares in Anvil and the remaining half awarded as a gross cash payment.

A trust has been established to manage the share component of the incentive awards (the “**Incentive Award Trust**”). As soon as practicable following clarification of executive and senior staff salaries for the coming year, Anvil funds the Incentive Award Trust and the Incentive Award Trust is empowered to purchase Common Shares on the TSX or ASX to the value of 50% of the value of the incentive potential in the names of the employees participating in the ESSIP. These shares will be allocated to ESSIP participants immediately on the passing of a resolution by the NCCG Committee that the relevant performance objectives have been achieved. The ESSIP will be terminated upon completion of the Offer.

4) Executive and Senior Staff Incentive Scheme

At the 2011 meeting of shareholders, Anvil adopted the ESSIS to provide for a variable component of compensation in the form of cash and Common Shares that is directly related to the performance of Anvil and its business units, as well as the achievement of safety and environment objectives and individual performance objectives.

Unlike the ESSIP, which provides for the share component of awards to be fulfilled by the purchase of Common Shares on the TSX or ASX, the ESSIS provides for the share component of awards to be fulfilled by the issuance of Common Shares from treasury, thus giving flexibility to the NCCG Committee to fulfil the share component of awards through market-purchased Common Shares or treasury-issued Common Shares, in accordance with the NCCG Committee’s determination as to the best interests of Anvil at any particular time. All entitlements under the ESSIS will be cancelled upon completion of the Offer. It is the Company’s intention to terminate the ESSIS upon completion of the Offer.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF THE ANVIL GROUP

The following is the management discussion and analysis of results of the Anvil Group for each of the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 respectively, based on the financial information from Anvil Historical Track Record Accounts prepared under Canadian GAAP and IFRS respectively as set out above in the section entitled “Published Financial Information of Anvil Group for the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011”.

FOR THE YEAR ENDED 31 DECEMBER 2008**1 PERFORMANCE SUMMARY****Key points for 2008**

- Production of 41,354 tonnes of copper, a decrease of 13% compared to 2007.
- Net sales of US\$191.2 million, a decrease of 27% compared to the same period of 2007.
- Operating profit before severance and demobilization costs of US\$5.8 million, a decrease of 96% compared to 2007.
- Net loss of US\$138.5 million or -US\$1.95 per share, a decrease of 218% compared to 2007.
- Operating cash flow before working capital movements of US\$33.8 million or US\$0.47 per share.
- Total one-off charges of US\$151.0 million, comprised of assets (US\$73.2m), exploration (US\$31.3m), available-for-sale investments (US\$26.3m), severance payments and demobilization costs (US\$8.8 million), trade receivables (US\$7.8m), and equity accounted investments (US\$3.6m).

Operation*Kinsevere*

In order to minimize operating costs and preserve cash, Anvil suspended mining operations and operation of the HMS Plant and spirals facility during November. Feed to the EAF is currently sourced from stockpiled concentrate from the HMS Plant. Based on an EAF production rate of approximately 425 tonnes per month, there is sufficient stockpiled material to provide feed to the EAF for the whole of 2009.

Anvil continues to experience difficulties with the operation of the EAF facility. The first EAF was commissioned in August 2008 and while a blister copper product from the EAF has consistently met quality expectations, grading between 92% and 94% copper, the EAF has operated below its design capacity of 1,000 tonnes of blister copper per month, with production of only 659 tonnes of blister copper for the fourth quarter of 2008 and 820 tonnes for the period August to December 2008.

In order to address the technical and operating problems with the EAF, Anvil has engaged an experienced metallurgist from Australia whose initial analysis has identified a need to rebuild the furnace hearth. The rebuild of the furnace hearth and other related refurbishment work commenced during February 2009 and is estimated to cost approximately US\$250,000. Anvil anticipates that completion of the refurbishment works will allow for production from the first of the EAFs of approximately 450 tonnes of blister copper per month, with a decision on the continued operation of the EAF expected by the end of the first quarter of 2009.

Anvil is also considering the possibility of restarting the HMS Plant and producing an oxide concentrate from existing Run of Mine (“**ROM**”) stockpiles which currently amount to in excess of 250,000 tonnes at a grade of more than 5.0% copper. This could produce more contained copper and higher cash flow at lower risk than the EAF.

Dikulushi

In view of the low copper price, Anvil began the process of suspending concentrate production, postponing underground development work and initiating a care and maintenance program at its Dikulushi mine in December 2008.

Mutoshi

During November 2008, Anvil completed the processing of stockpiled material through the HMS Plant and in order to preserve cash, ceased processing operations and placed the Mutoshi mine on care and maintenance. High value equipment and motor vehicles have been transported to Kinsevere for safe storage.

2 YEAR 2008 PERFORMANCE

Key Anvil Group Results

Full year	Year 2008		Year 2007	
	US\$ million	% Sales	US\$ million	% Sales
Production (t Cu)	41,354		47,633	
Sales ¹ (t Cu)	42,490		44,994	
Net sales (US\$ million)	191.2	100	263.2	100
Operating (loss) / profit (US\$ million)	(3.0)	(2)	160.3	61
Net (loss) / income (US\$ million)	(138.5)	(72)	117.2	45
Basic (loss) / earnings per share (US\$)	(1.95)		1.81	

1. Production and sales of copper reflect Kinsevere and Mutoshi copper concentrate sold at mine gate at a discount to the LME price as well as blister copper produced and sold from the Kinsevere EAF.

2008 Anvil Group Net Sales — by segment

	Year 2008	Year 2007
	US\$ million	US\$ million
Kinsevere - Copper	70.0	38.6
Dikulushi - Copper	76.1	163.7
- Silver	17.7	29.6
Mutoshi - Copper	27.3	31.0
- Cobalt	0.1	0.3
Net sales	191.2	263.2
Copper selling price	US\$/lb	US\$/lb
Current period sales ¹	3.12	3.19
Provisional pricing adjustment	(0.21)	0.08
TC/RC and freight charges	(0.06)	(0.10)
Realized copper price	2.85	3.17

1. Sales of copper concentrate at Kinsevere and Mutoshi are at mine gate at a discount to LME price and recorded as sales revenue. The TC/RC and freight component is therefore difficult to extract and thus is included in the current period realized selling price. Concentrate at Dikulushi is not sold at mine gate and thus the TC/RCs and freight charges are known and separately disclosed in the calculation of the total realized copper price.

Anvil Group net sales decrease 27% to US\$191.2 million owing to lower volume of concentrate sales combined with lower realized copper prices

Net sales decreased owing to a reduction in the tonnes of copper sold (down 17% to 27,645 tonnes of payable copper) coupled with lower realized copper prices during the year (down 10%). Anvil Group copper production was 13% lower than the prior year, primarily due to lower copper production at Dikulushi (down 55% from 2007) and Mutoshi (down 26% from 2007) offset by a full year of commercial production in 2008 at Kinsevere compared to the prior year, when production commenced only in June 2007. Copper production at Dikulushi was 55% lower than the prior year due to changes in the underground mining method and lower feed grade of stockpiled material which caused metallurgical recovery to be lower. Production at Mutoshi decreased 26% compared to 2007 due to processing of finer grade material resulting in lower recovery and the HMS Plant being placed on care and maintenance in November 2008. Due to a sharp decline in the copper price during the second half of the year, a provisional pricing adjustment of US\$12.9 million has been recognised.

Kinsevere net sales increase to US\$70 million

Net sales for the year ended 31 December 2008 were US\$70.0 million, for 10,118 tonnes of payable copper (year ended 31 December 2007: 5,425 tonnes). Kinsevere operations include twelve months of operations in the current year compared to six full months of operations in the prior period as commercial production commenced in late June 2007. The first of the two EAFs that comprise the Kinsevere EAF facility was commissioned in August 2008. The HMS Plant & spirals plant was placed on care and maintenance in November 2008.

Dikulushi net sales decrease 51% to US\$93.8 million owing to lower volume of concentrate sales

Net sales compared to the same period in 2007 decreased as a result of a 44% decline in the tonnes of payable copper sold. Copper production decreased by 55% as underground mining was reduced to prepare for a change in the mining methodology. In December 2008 underground development was postponed and a care and maintenance program was initiated at Dikulushi.

Mutoshi net sales decrease 12% to US\$27.4 million due to production of lower grade copper concentrate

Net sales compared to the same period in 2007 decreased as a result of an 11% decline in the realized copper price due to the fall in commodity prices along with a marginal 1% reduction in the tonnes of payable copper sold. The reduction in tonnes payable was due to lower feed grade and lower copper recoveries from processing finer grained, lower grade material.

2008 Anvil Group Operating (Loss) / Profit — by segment

	Year 2008		Year 2007	
	US\$ million	% Sales	US\$ million	% Sales
Kinsevere ¹	9.9	5	17.6	7
Mutoshi	(25.3)	(13)	6.5	2
CDA ²	(12.6)	(7)	(5.3)	(2)
Dikulushi	25.0	13	141.5	54
Total operating (loss) / profit	(3.0)	(2)	160.3	61

1. Commercial operations at Kinsevere commenced in June 2007.
2. These are administration and technical support costs based in the DRC to support the mine operations and development.

Anvil Group records operating loss of US\$3 million

Operating profit before severance payments and demobilization costs was US\$5.8 million, compared to US\$160.3 million for 2007. Group operating loss of US\$3.0 million was primarily due to severance payments and demobilization costs (US\$8.8 million), a decline in the operating profit at Dikulushi and Kinsevere and losses sustained at Mutoshi. The decreases in sales volume and realized prices resulted in a lower operating profit at Dikulushi and an operating loss at Mutoshi. Decreases in copper production at Mutoshi and Dikulushi were partially offset by a full year of operations at Kinsevere. Operating profit at Dikulushi decreased due to lower sales volume and an increase in operating expenses. Operating loss at Mutoshi was lower due to processing of finer grained, lower grade material yielding lower metallurgical recovery and production of copper. Anvil made a provision of US\$7.8 million for doubtful debts.

Kinsevere operating profit decreases 44% to US\$9.9 million

		Year 2008	Year 2007
Ore mined	tonnes	2,653,103	918,545
Ore processed	tonnes	350,027	173,161
Feed grade	% Cu	9.5	10.5
Contained copper	tonnes	33,159	18,153
Copper recovery	%	69.0	71.6
Copper produced in concentrate	tonnes	22,858	13,006
Copper produced in Blister	tonnes	820	—
Copper sold	tonnes	20,000	10,750
Operating cash cost (ex-mine gate)	US\$/tonne concentrate	311	312

The operating cash cost of oxide concentrate at Kinsevere for the year ended 31 December 2008 was US\$311 per tonne. This is equivalent to the same period last year as the increase in production was offset by increased operating costs from the HMS Plant and spirals plant and the EAF operating at less than the design capacity. The Kinsevere mine commenced production only in June 2007, as compared to full year of operation in 2008.

Mutoshi records operating loss due to increased operating costs from processing finer grained, lower grade ore and lower copper production

		Year 2008	Year 2007
Ore mined	tonnes	428,361	491,239
Ore processed	tonnes	462,495	340,628
Feed grade	% Cu	3.9	5.2
Contained copper	tonnes	17,867	17,650
Copper recovery	%	41.7	57.0
Copper produced in concentrate	tonnes	7,448	10,066
Copper sold	tonnes	9,617	9,954
Operating cash cost (ex-mine gate)	US\$/tonne concentrate	1,043	581

Operating cash cost increased significantly compared to same period last year due mainly to increased processing costs. The processing of finer and lower grade material has lower metallurgical recovery through the HMS Plant. Mining of ore was suspended in September 2008 and processing ceased in November 2008. Costs of ceasing operations including demobilization and severance payments have also had the impact of increasing the operating cash cost.

Dikulushi operating profit decreases by 82% on lower sales and high operating costs

		Year 2008	Year 2007
Ore mined	tonnes	101,064	19,945
Ore processed	tonnes	463,094	353,437
Feed grade	% Cu	3.1	7.6
Contained copper	tonnes	14,326	27,045
Copper recovery	%	77.1	90.8
Copper produced in concentrate	tonnes	11,047	24,561
Silver produced in concentrate	ounces	1,095,801	2,451,269
Copper sold	tonnes	12,873	24,262
Silver sold	ounces	1,317,389	2,503,459
Operating cash cost (ex-mine gate)			
(after silver credits)	US\$/lb Cu	1.13	0.14
TC/RC and freight charges	US\$/lb Cu	0.54	0.44
Total cash costs from operations	US\$/lb Cu	1.67	0.58

Dikulushi total cash costs from operations per pound produced increased by 188% as there were no mining costs in the same period last year as the underground mine was still being developed at the time; higher processing costs due to lower feed grade resulting in lower recovery and production of copper, and increased fuel, labour and consumables costs. These were partially offset by increased silver credits of US\$0.75/lb Cu compared to last year of US\$0.56/lb Cu.

2008 Anvil Group Net (Loss) / Income

	Year 2008		Year 2007	
	US\$ million	% Sales	US\$ million	% Sales
Operating (loss) / profit	(3.0)	(2)	160.3	61
Other income	8.2	4	11.8	5
General administrative and marketing costs	(22.7)	(12)	(14.8)	(6)
Provision for impairment of assets	(103.1)	(54)	(9.4)	(3)
Interest expense	(1.4)	(0)	(2.2)	(1)
Exploration expenditure written off	(31.3)	(16)	(4.4)	(2)
Other expenses	(3.5)	(2)	(2.4)	(1)
Income tax	12.9	7	(8.5)	(3)
Non-controlling interest	5.4	3	(13.2)	(5)
Net (loss) / income from continuing operations	(138.5)	(72)	117.2	45
(Loss) / Earnings per share per continuing operations				
- basic	(1.95)		1.81	
- diluted	(1.95)		1.77	
Weighted average shares outstanding				
- basic	71.2		64.7	
- diluted	71.2		66.2	

Anvil Group records net loss of US\$138.5 million

General, administrative and marketing expenses for the year ended 31 December 2008 were US\$22.7 million (2007: US\$14.8 million), an increase of 53% over the same period in 2007. This was partly due to the recruitment of additional senior technical and administrative staff to support Anvil's expansion and other non-recurring expenses including severance payments, legal and advisory fees and the establishment of the employee share purchase plan, introduced in January 2008.

The decrease in other income was caused by lower interest income earned on the Anvil Group's portfolio of available for sale investments as a result of repayment of principal of US\$13.4 million during the year ended 31 December 2008.

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

Provision for impairment of available-for-sale investments increased due to provision of US\$26.3 million resulting from decline in the mark to market value of securitised investments in the Anvil Group's investments portfolio and recognition of impairment relating to a diminution in the value of investments in Sub-Sahara Australia NL ("SBS") of US\$3.6 million.

Long lived assets should be tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the years ended 31 December 2008 and 2007, Anvil undertook a review of all mining assets in light of recent economic events and associated declines in the outlook for metal prices in the near-to-mid term.

Provision for impairment of long lived assets US\$62.1 million relates to:

- (a) Mutoshi - US\$5.1 million;
- (b) Kinsevere - US\$26.6 million primarily relating to EAF; and
- (c) Dikulushi - US\$30.4 million primarily relating to the underground development costs and property, plant and equipment.

The provision for impairment relating to inventory (stores & consumables) of US\$11.1 million, was predominantly recognized at Dikulushi and Kinsevere.

Exploration expenditure of US\$31.3 million was written off during the year, consisting of:

- (a) Acquisition expenditure related to Nambulwa and Mutoshi Projects of US\$1.4 million and US\$11.9 million respectively; and
- (b) Exploration expenditure directly incurred by Anvil on Dikulushi (US\$9.9 million), Nambulwa (US\$1.6 million), Mutoshi (US\$4.0 million) and Philippines (US\$2.5 million).

The Anvil Group has recorded income tax credits as opposed to recording a tax expense in the same period last year due to losses incurred as a result of lower production and decline in commodity prices.

The Anvil Group has recorded a credit from non-controlling interests due to losses incurred resulting from impairment of assets, lower production and decline in commodity prices.

2008 Anvil Group Cash Flows

Cash flows from:	Year 2008	Year 2007
	<i>US\$ million</i>	<i>US\$ million</i>
Operating activities		
- before working capital changes	33.8	166.3
- after working capital changes	42.5	123.3
Investing activities	(205.5)	(131.4)
Financing activities	<u>(7.8)</u>	<u>163.8</u>
Net (decrease) / increase in cash and cash equivalents	<u>(170.8)</u>	<u>155.7</u>
Cash flow per share		
- before working capital changes	(0.47)	2.57
- after working capital changes	(0.60)	1.91

Cash flow from operations in the year ended 31 December 2008 was US\$42.5 million (2007: US\$123.3 million). Operating cash flows after working capital movements for the year ended 31 December 2008 were impacted by an increase in inventory of US\$20.6 million offset by a decrease in accounts receivable of US\$33.9 million. The increase in inventory was driven by a build up of inventory of ore for the proposed SX-EW Plant. The decrease in accounts receivables was primarily due to lower sales volume and also lower realized copper prices.

Investing cash outflows were US\$205.5 million (2007: US\$131.4 million). Anvil incurred exploration expenditures of US\$33.3 million, mainly on the Mutoshi and Kinsevere tenements. Expenditures for property, plant and equipment of US\$186.2 million for the year ended 31 December 2008 (2007: US\$92.0 million) were predominantly in connection with the development of Kinsevere Stage II. Proceeds of US\$13.4 million were received from repayment of principal from securitised investments.

Financing cash outflows were US\$7.8 million (2007: US\$163.8 million cash inflows). Anvil paid US\$2.0 million towards the purchase of shares under the ESSIP. Disbursements of US\$6.6 million were made on behalf of the trusts established by Anvil to benefit communities in the area of the Dikulushi mine, which were partially offset by US\$0.7 million received from the exercise of options during the year.

3 BALANCE SHEET

US\$ million	31 December 2008	31 December 2007
Assets		
Cash and cash equivalents (including restricted)	45.9	216.1
Current available-for-sale investments	24.0	63.8
Other current assets	106.6	119.4
Property, plant & equipment	280.3	228.1
Other non-current assets	<u>75.8</u>	<u>61.3</u>
Total assets	<u>532.6</u>	<u>688.7</u>
Liabilities		
Current liabilities	38.0	31.4
Other non-current liabilities	0.3	—
Future income tax liability	24.4	39.6
Liabilities related to discontinued operations	<u>13.0</u>	<u>11.7</u>
Total liabilities	<u>75.7</u>	<u>82.7</u>
Non-controlling interests		
	<u>1.9</u>	<u>13.9</u>
Shareholders' equity	<u>458.8</u>	<u>592.1</u>
Working capital	<u>138.5</u>	<u>367.9</u>
Weighted average number of shares		
(for basic earnings per share) (millions)	71.2	64.7
Outstanding shares (millions)	71.2	71.1

Financial resources and liquidity*Cash and cash equivalents*

The decrease in cash and cash equivalents to US\$45.9 million for the year ended 31 December 2008 (31 December 2007: US\$216.1 million) was due to increased expenditure on the Kinsevere Stage II development, exploration activities and other capital assets.

Available-for-sale investments

The decrease in available-for-sale investments to US\$24.0 million for the period ended 31 December 2008 (31 December 2007: US\$63.8 million) was attributable to maturing investments (US\$13.4 million) which were converted into cash; and a provision for impairment of available-for-sale investments (US\$29.3 million) resulting from a diminution in the mark to market value of Anvil's available-for-sale investments.

Current assets

Total current assets for the period ended 31 December 2008 decreased by US\$222.8 million to US\$176.5 million (31 December 2007: US\$399.3 million). In addition to the movement in cash and

investments outlined above, there was a decrease in accounts receivables of US\$42.9 million. Prepaid expenses and deposits increased by US\$29.8 million to US\$51.3 million, consisting mainly of amounts paid to suppliers for plant and equipment required for the Kinsevere Stage II development.

Current liabilities

Current liabilities at 31 December 2008 increased to US\$38.0 million (31 December 2007: US\$31.4 million) relating mainly to purchases for Kinsevere Stage II.

Total liabilities

Total liabilities at 31 December 2008 were US\$75.7 million (31 December 2007: US\$82.7 million). The decrease was mainly due to a decline in the deferred tax liability relating to temporary differences on depreciation of assets for book and tax purposes in the DRC.

Non-controlling interests

The decrease in non-controlling interests to US\$1.9 million at 31 December 2008 (31 December 2007: US\$13.9 million) was primarily due to losses at Dikulushi and Mutoshi accruing to minority shareholders.

Shareholders' equity

Shareholders' equity as at 31 December 2008 decreased by US\$137.1 million to US\$455.0 million mainly as a result of a decrease in retained income of US\$138.5 million.

Capital structure

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

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

Gearing ratio

Gearing ratio	31 December 2008	31 December 2007
	<i>US\$ million</i>	<i>US\$ million</i>
Cash and cash equivalents	45.0	215.8
Less: Total borrowings	0.7	—
Net cash	44.3	215.8
Shareholders' equity	458.8	592.1
Gearing ratio	0.10	0.36

4 MATERIAL ACQUISITIONS AND DISPOSALS

The current investments of US\$24.0 million are a result of the cash received from the capital raising in March 2006 being placed into investment grade assets. The investments are intended to be held to maturity or liquidated should the Anvil Group's funding requirements necessitate.

As at 31 December 2008, the Anvil Group had an equity accounted investment in SBS resulting from an 18% ownership interest which is recognised in the balance sheet at fair value of US\$1,320 million. SBS is incorporated in Australia and listed on the ASX. These investments have been written down to the market value as at 31 December 2008. The market value of this holding, based on the closing share price of SBS on the ASX as at 13 March 2009 was US\$0.9 million.

5 CHARGE ON ASSETS

As at 31 December 2008, the Anvil Group had restricted cash of US\$0.9 million which related to cash deposits held by the Anvil Group's bankers against deposits held for future mine property rehabilitation and guarantees for acquisition of equipment related to Kinsevere Stage II.

6 CONTRACTUAL OBLIGATION AND COMMITMENT

The following table summarizes the Anvil Group's contractual and other obligations, as at 31 December 2008.

Payments due by period (US\$ million)	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt	0.7	0.3	0.4	—	—
Environmental and mine closure liabilities	13.0	—	0.7	0.9	11.4
Capital commitments — Kinsevere Stage II	40.0	40.0	—	—	—
Equipment operating lease	0.9	0.3	0.3	0.3	—
Entry premium payment ¹	—	10.0	5.0	—	—
Non-controlling interest commitments — comprises the 10% outside equity interests in the retained earnings of Anvil Mining Congo SARL	1.8	1.8	—	—	—

1. Payment to Gécamines in connection with the amendment to the kinsevere lease agreement reached in January 2009.

7 CONTINGENT LIABILITIES

The Anvil Group did not have any contingent liabilities as at 31 December 2008.

8 FINANCIAL RISK MANAGEMENT

The Anvil Group's activities are exposed to a variety of financial risks, which include foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. From time-to-time, the Anvil Group may use foreign exchange forward contracts, commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. The use of derivatives is based on established practices and parameters, which are subject to the oversight of the Anvil Board.

(a) Market Risk

(i) *Foreign exchange risk*

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

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

(ii) *Commodity price risk*

The Anvil Group is subject to price risk from fluctuations in market prices of commodities. The Anvil Group has elected not to actively manage its exposure to commodity price risk at this time. From time-to-time, the Anvil Group may use commodity price contracts to manage its exposure to fluctuations in commodities prices. The use of derivatives is based on established practices and parameters, and is subject to approval by the Anvil Board. The Anvil Group's commodity price risk associated with financial instruments primarily relates to changes in fair value caused by settlement adjustments to receivables.

(iii) *Securities price risk*

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

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

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

(iv) *Interest rate risk*

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

(b) **Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Anvil Group's primary counterparties related to its available-for-sale investments carry investment grade ratings. The Anvil 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 Anvil Group does not have a significant concentration of credit risk with any single counterparty or group of counterparties. The Anvil Group's maximum exposure to credit risk at the reporting date is the carrying value of receivables, cash and cash equivalents and available-for-sale investments.

(c) **Liquidity risk**

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

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

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

9 HUMAN RESOURCES

As at 31 December 2008, the Anvil Group employed a total of 1,375 full-time employees in its operations (not including contractors of the Anvil Group) of which 35 were based in Australia, 2 in South Africa, 1,313 in the DRC, 23 in Zambia and 2 in Canada. Total staff costs for the Anvil Group, including director's emoluments amounted to US\$16.4 million.

The Anvil Group has adopted remuneration policies in line with market practice and remunerated its employees on the responsibilities of their role, their performance and the performance of the Anvil Group. Other employee benefits include performance related incentives and, in specific cases, insurance and medical coverage. Training is offered to employees across the Anvil Group, including an intensive supervisory/management programme for DRC Staff, which is designed to improve individual and group performance.

10 OUTLOOK

Longer term objectives (2009 onwards)

- Completion of construction and commissioning of the SX-EW Plant.
- Completion of a pre-feasibility study for the Mutoshi Stage II SX-EW project.
- Completion of preliminary studies on the mining and processing of the sulphide resource at Kinsevere.

Development: SX-EW Plant

On 13 November 2008 Anvil announced that it had placed the remaining engineering design, fabrication, construction works and remaining procurement for the Kinsevere Stage II SX-EW development on hold until adequate funding has been secured. As at 17 February 2009, approximately US\$180 million of the budgeted cost of US\$380 million had been spent or committed.

The current status of the Kinsevere Stage II development is as follows:

- Engineering design work is almost 80% complete;
- Civils construction is approximately 90% complete;
- Concrete works are 70% complete;
- Construction of key infrastructure including camps, roads, offices, power and water facilities is 90% complete;
- Construction of stainless steel tankage units is 30% complete;
- Earthworks for the process and event ponds is 40% complete;

- Construction of the Tailings Storage Facility is 65% complete; and
- Procurement of major capital items is 80% complete, including the ball mill, crusher, apron feeder, tailings dam liner and half of the electrowinning cells, all of which are on site. The cathode stripping machine, pin bed clarifiers, transformers and rectifiers and half of the cathode plates and anodes are ready for transit to site.

All completed construction works, including erected tankage units and the electrowinning cells have been checked, braced and made safe as required and all contractor staff have been demobilised from site. Anvil has retained appropriate staff to supervise off loading and secure storage of capital equipment as it continues to arrive at site.

Anvil is well positioned to readily recommence development of Kinsevere Stage II when funding is available. Key tasks include completion of engineering design and procurement of remaining capital equipment. The remaining engineering design work, relating mainly to electrical, piping and instrumentation is expected to take two to three months to complete. The delivery of outstanding capital equipment is expected to be completed within six months of commencement. Anvil anticipates that award of the contract(s) for completion of Kinsevere Stage II would take two to three months to finalize.

Anvil is reviewing suitable arrangements under which works could be recommenced as quickly as possible after Anvil obtains the necessary funding. With facilities, access roads and offices complete or near complete, no issues in respect of logistics and accommodation requirements for construction crews are expected. Anvil estimates that the timeframe for completion of construction, dry commissioning, and hydraulic testing for readiness to receive ore is approximately nine months from award of contract.

Exploration

Kinsevere

Following completion of a 41,000 metre drilling program during 2008, a large proportion of which was in-fill drilling, in February 2009 Anvil announced an updated Mineral Resource estimate for Kinsevere. The estimated measured and Indicated Mineral Resource in the combined oxide and sulphide portions of the Kinsevere deposits (Tshifufia, Tshifufiamashi and Kinsevere Hill) at year-end 2008 total 29.8 million tonnes at 3.8% copper, representing 1.12 million tonnes of contained copper metal. The Inferred Mineral Resource totaled 14.1 million tonnes at 3.6% Cu, representing an additional 507,000 tonnes of contained copper metal.

Comparisons with the year-end 2007 estimate reflect an overall reduction in the oxide Mineral Resource but an increase in the sulphide Mineral Resource. Tonnage increases associated with extensional drilling were offset by mining depletion, together with changes in modelled density, and to a lesser extent, grade.

Mutoshi

A scoping study was completed during the fourth quarter as the culmination of a 2008 technical program involving scope drilling across the Mutoshi tenement, plus a comprehensive process

engineering study. The objective of this study was to assess the transition of the HMS processing of river tailings, to solvent extraction and electrowinning of copper and cobalt from oxide open pit feed. The study was supported by grade/tonnage estimates based on the scope drilling database, followed by preliminary mine planning and the financial evaluation of several development scenarios. Potential mining areas were defined surrounding the old Mutoshi pit (abandoned) thereby enabling future infill and extensional drilling targets to be planned. To assist with the grade/tonnage estimates, an aerial survey was flown across the Mutoshi tenement during the fourth quarter.

Owing to Anvil's current strategy, which is focused on the conservation of cash, it is unlikely that the infill and extensional drilling will be carried out during 2009. In the meantime, there is now a considerable amount of historical Gécamines exploration data available which will allow the grade/tonnage estimates to be enhanced.

Dikulushi

No surface exploration or evaluation activity was carried out at Dikulushi during the fourth quarter.

Philippines

Anvil has ceased exploration activity at the Itogon project in the Philippines (the "**Itogon Project**") with the intent of selling this project. Anvil has signed a Memorandum of Understanding ("**MOU**") with an Australian based, publicly listed mining company incorporating the terms on which Anvil's Philippines interest will be transferred.

Under the terms of the MOU, Anvil will receive a cash payment for the depreciated value of items on the project asset register, plus separate payments on completion of a bankable feasibility study and commencement of commercial production. Should a bankable feasibility study be completed and commercial production commenced, Anvil would recover the current book value of its interest in the Itogon Project, including exploration and acquisition costs.

DRC Government Review of Mining Agreements

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

The major amendments to the Kinsevere Lease Agreement relate to a change in the up-front cash payment from US\$5 million to US\$20 million and to royalty payments. Royalty payments are now 2.5% of gross turnover, compared to the previous approach whereby the royalty was paid to Gécamines on a sliding scale, from a floor price of US\$35 per tonne of copper at a LME copper price of US\$2,200 per tonne (or US\$1.00/lb copper) to a ceiling price of US\$70 per tonne of copper at an LME copper price of US\$4,000 per tonne (or US\$1.80/lb copper) on each tonne of commercially viable copper metal extracted at Kinsevere.

Based on the commercial terms agreed with Gécamines and the DRC Government in October 2008, Anvil is confident that a satisfactory amended Mutoshi joint venture agreement can be concluded with its joint venture partner Gécamines.

Liquidity

As at 17 March 2009 Anvil had approximately US\$25 million in cash, US\$24 million in available-for-sale investments, US\$7 million in receivables and only US\$700,000 of long-term debt.

During the fourth quarter of 2008, Anvil announced initiatives focused on significantly reducing costs and expenditures. These initiatives included: suspension of engineering, construction and fabrication works for development of Kinsevere Stage II until such time as the required funding has been secured; placement of the Dikulushi operation on care and maintenance; cessation of HMS processing operations at Mutoshi; and a reduction in corporate overhead costs.

Anvil requires additional funding of approximately US\$200 million in order to complete the Kinsevere Stage II development of the 60,000 tonnes per year SX-EW Plant and continues to make progress in obtaining the necessary funding. An update of the previously completed technical due diligence report is underway, which when completed will form the basis for financiers to seek credit approval for provision of a debt facility to Anvil. It is anticipated that this process will take approximately two to three months before credit approval may be obtained.

FOR THE YEAR ENDED 31 DECEMBER 2009

1 PERFORMANCE SUMMARY

Key points for 2009

- Net sales of US\$49.2 million.
- Production of 16,406 tonnes of copper.
- Positive cash flows from continuing operations, before working capital movements of US\$0.8 million (US\$0.01 per share).
- Net loss from continuing operations of US\$17.7 million (-US\$0.18 per share).
- Net unrealized gain of US\$4.1 million on available-for-sale debt investments.
- Net unrealized gain of US\$2.2 million on available-for-sale equity investments.

Operation

HMS Plant

The Anvil Group recommenced operation of the HMS Plant on 27 March 2009, focused on achieving a low-cost operation to enable the Anvil Group to generate positive cash flow until such time as the SX-EW Plant becomes operational.

Since recommencement of operations the HMS Plant has generated net revenue of US\$50.3 million and incurred cash operating expenses of US\$17.0 million resulting in a positive cash flow from HMS operations of US\$33.3 million before expenses of US\$12.3 million related to care and maintenance of the Dikulushi and Mutoshi mines, corporate overheads, exploration and social development, providing a net cash flow of US\$21.0 million for the period.

The table below illustrates the cash performance of the HMS Plant for the year to date since commencement of operations in the first quarter of 2009.

Performance since commencement of operation of the HMS Plant¹	Year 2009 <i>US\$ million</i>
Sales	50.3
Operating expenses	<u>(17.0)</u>
Cash generated from HMS operations after operating expenses	<u>33.3</u>
Care and maintenance expenses	(3.7)
Corporate overhead expenses	(6.3)
Exploration expenses ²	(1.6)
Social development expenses	<u>(0.7)</u>
Cash generated from HMS operations after operating and Anvil Group expenses	<u><u>21.0</u></u>

1. Excludes one-off costs such as redundancy payments and contract termination payments.
2. Exploration expenses relates primarily to cash calls for joint-ventures.

Feed to the HMS Plant was initially sourced from the ROM stockpile until depletion in August 2009, at which time mining recommenced. With the onset of the wet season in October 2009, ore and waste mining has been focused on higher elevations of the pit. The more accessible benches at the higher elevation and associated shorter haul distances has enabled a higher mining rate and along with above budget grades, has seen improved performance of the Kinsevere HMS operation.

For 2010, the Anvil Group has budgeted for feed to the crusher of 652,000 tonnes, approximately half of which is to be sourced from mining and the remainder reclaimed from existing stockpiles, at an average grade of 3.8% copper. Based on 2010 forecast production of 15,000 tonnes and an assumed average realized copper price of US\$2.50 for 2010, the HMS Plant is expected to generate sufficient cash to allow the Anvil Group to maintain a positive operating cash flow. Whilst this is a lower average grade relative to the life of mine plan for the same period, the revised short to medium-term mine plan allows higher grade ore mining to be deferred until the Kinsevere Stage II SX-EW operation commences.

Since recommencing operations on 27 March 2009, the HMS Plant produced 62,468 tonnes of concentrate, at an average grade of 26.3% copper for 16,406 tonnes of copper contained in concentrate during 2009. Key performance details of the HMS Plant for the December quarter and the year to date are set out in the table below.

Operating Performance: Kinsevere HMS Plant	Year 2009
Ore processed — HMS Plant (dmt)	231,823
Cu grade (%)	8.2
Contained copper (tonnes)	19,066
Recovery Cu (%)	76.0
Concentrate produced — HMS and spirals (tonnes)	62,468
Concentrate grade — HMS and spirals (% Cu)	26.3
Copper produced in concentrate — HMS and spirals (tonnes) ¹	16,406

1. In addition to producing a coarse concentrate from the HMS Plant, a fine grained, slightly lower grade concentrate is produced from a spirals circuit, through which the fines (<0.6mm) which are screened off before the HMS circuit, are treated.

Strategic Alliance with Trafigura for a US\$200 million Funding Package

After receiving approval of shareholders at a special meeting in December 2009, Anvil completed the second tranche of its previously announced private placement (the “**Private Placement**”) to Trafigura. The gross proceeds received by Anvil from Trafigura for the equity units issued in the second tranche were US\$68.0 million for aggregate proceeds to Anvil of US\$100 million in the Private Placement.

Giving effect to the exercise of Warrants issued in both the first tranche and second tranche of the Private Placement, and Trafigura's pre-existing holdings of 20,495,093 Common Shares, Trafigura's aggregate equity interest in Anvil on completion of the second tranche is now approximately 38.9% on a fully diluted basis.

In December 2009, Anvil also completed the Loan Facility which will be available for drawdown only after funds from the Private Placement have been utilized in the development of Kinsevere Stage II.

Anvil is well advanced in discussions with a syndicate of commercial banks to refinance the Loan Facility, to an amount of US\$140 million. The additional funding is sought in order to ensure that Anvil has sufficient funding available to meet the Kinsevere Stage II ramp-up costs that are expected to be incurred during the first half of 2011, the pas de porte (entry premium) payment due to Gécamines for Anvil's Mutoshi project and the recommencement of exploration and development activity.

Liquidity and Cash Position

As at 18 March 2010, Anvil had approximately US\$101.1 million in cash, US\$18.2 million in available-for-sale investments and US\$9.5 million of trade receivables, which it expects to realize during the first half of 2010. During the next twelve months Anvil's commitments include US\$7.2 million for Pas de Porte (entry premium) payments due to Gécamines with respect to the Mutoshi amended agreements and US\$17.1 million that relate to the Kinsevere Stage II development.

Discontinuance of Operations at Dikulushi

During December 2008, Anvil postponed underground development work and initiated a care and maintenance program at its Dikulushi mine. While the Dikulushi mine was critically important in Anvil establishing a mining operation in the DRC, the focus of effort is on the development of significantly larger projects, with Kinsevere Stage II due for commissioning during the first quarter of 2011. In addition, work is underway to extend the processing life of Kinsevere Stage II and the Anvil Group continues to look for suitable merger and acquisition opportunities in the DRC.

As a result, during the fourth quarter Anvil determined that recommencement of operations at Dikulushi was not consistent with its overall growth strategy and began work to divest its interest in the Dikulushi mine.

Owing to the status of the Dikulushi mine and Anvil's intention to divest its interest in the Dikulushi mine, for accounting treatment purposes Dikulushi is classified as a discontinued operation and accordingly, the Anvil Group's operating results for the fourth quarter of 2009 and the year ended 31 December 2009 exclude Dikulushi. To assist the reader's understanding of overall performance for the fourth quarter of 2009 and the year ended 31 December 2009 information on costs incurred at Dikulushi is presented in this management discussion and analysis. Anvil expects to divest its interest in the Dikulushi mine by the end of April 2010.

2 YEAR 2009 PERFORMANCE

Key Anvil Group Results

Full year	Year 2009		Year 2008	
	US\$ million	% Sales	US\$ million	% Sales
Production (t Cu)	16,406		41,354	
Sales ¹ (t Cu)	19,859		42,490	
Net sales (US\$ million)	49.2	100	191.2	100
Operating (loss) (US\$ million)	(7.0)	(14)	(3.0)	(2)
Net (loss) (US\$ million)	(17.7)	(36)	(138.5)	(72)
Basic (loss) per share (US\$)	(0.18)		(1.95)	

1. Production and sales of copper reflect Kinsevere and Mutoshi copper concentrate sold at mine gate at a discount to the LME price.

2009 Anvil Group Net Sales — by segment

(After TCs/RCs)	Year 2009 US\$ million	Year 2008 US\$ million
Kinsevere - Copper	49.4	70.0
Dikulushi - Copper	(0.2)	76.1
- Silver	—	17.7
Mutoshi - Copper	—	27.3
- Cobalt	—	0.1
Net sales	49.2	191.2
Copper selling price	US\$/lb	US\$/lb
Current period sales ¹	2.74	3.12
Provisional pricing adjustment	(0.15)	(0.21)
TC/RC and freight charges	(0.03)	(0.06)
Realized copper price	2.56	2.85

1. Sales of copper concentrate at Kinsevere and Mutoshi are at mine gate at a discount to LME price and recorded as sales revenue. The TC/RC and freight component is therefore difficult to extract and thus is included in the current period realized selling price. Concentrate at Dikulushi was not sold at mine gate and thus the TC/RCs and freight charges are known and separately disclosed in the calculation of the total realized copper price.

Anvil Group net sales for 2009 were US\$49.2 million, a 74% decrease when compared to 2008 net sales. Lower net sales was due mainly to lower copper production of 16,406 tonnes, (60% below 2008 copper production of 41,354 tonnes) resulting from there being no production at Dikulushi or Mutoshi and the loss of almost three months of production from the HMS Plant at Kinsevere. Copper sold was 19,859 tonnes in 2009, 51% lower than 2008 (40,195 tonnes). In addition, the realized copper price of US\$2.56/lb for 2009 was 10% below the copper price realized during 2008 (US\$2.85/lb). Copper production at Kinsevere was 16,406 tonnes, 28% lower than 2008 production of 22,858 tonnes.

2009 Anvil Group Operating Profit / (Loss) — by segment

	Year 2009		Year 2008	
	US\$ million	% Sales	US\$ million	% Sales
Kinsevere	2.1	4	9.9	5
Mutoshi	(3.0)	(6)	(25.3)	(13)
CDA	(6.1)	(19)	(12.6)	(7)
Dikulushi	—	—	25.0	13
Total operating profit / (loss)	(7.0)	(14)	(3.0)	(2)

Anvil Group operating loss was US\$7.0 million, which included ongoing care and maintenance costs and one-off costs of US\$3.6 million related to staff redundancy payments. During the year, there was no production at Dikulushi and Mutoshi and production at Kinsevere did not commence until late March 2009.

Kinsevere operating profit decreases 78% to US\$2.1 million

		Year 2009	Year 2008
Ore mined	tonnes	297,459	2,653,103
Ore processed — HMS	tonnes	231,823	350,027
Feed grade — HMS	% Cu	8.2	9.5
Contained copper — HMS	(v)tonnes	19,066	33,159
Copper recovery — HMS	%	76.0	69.0
Copper produced in concentrate — HMS	tonnes	14,499	22,858
Copper produced in concentrate — Spirals	tonnes	1,907	—
Copper produced in concentrate — HMS & Spirals	tonnes	16,406	22,858
Copper sold	tonnes	19,577	20,000
Operating cash cost (ex-mine gate)	US\$/tonne concentrate	218	311

As a result of the suspension of HMS processing at Kinsevere until 27 March 2009, the Anvil Group continued to incur care and maintenance costs until that date, which contributed to a 78% decrease in operating profit for the year. The operating cash cost per tonne of oxide concentrate at Kinsevere for the year was US\$218 per tonne, which was 30% lower than the cash costs for the same period of 2008 (US\$311 per tonne) due to decreased labour and operating costs.

Mutoshi records operating loss of US\$3.0 million

		Year 2009	Year 2008
Ore mined	tonnes	—	428,361
Ore processed	tonnes	—	462,495
Feed grade	% Cu	—	3.9
Contained copper	tonnes	—	17,867
Copper recovery	%	—	41.7
Copper produced in concentrate	tonnes	—	7,448
Copper sold	tonnes	281	9,617
Operating cash cost (ex-mine gate)	US\$/tonne concentrate	—	1,043

There was no production at Mutoshi during 2009 as the mine has remained on care and maintenance. The operating loss relates primarily to ongoing care and maintenance costs, unfavourable provisional pricing adjustments of US\$1.2 million due to a decrease in copper prices and staff redundancy payments of US\$0.6 million.

Dikulushi records operating loss on discontinued operations of US\$3.9 million

		Year 2009	Year 2008
Ore mined	tonnes	—	101,064
Ore processed	tonnes	—	463,094
Feed grade	% Cu	—	3.1
Contained copper	tonnes	—	14,326
Copper recovery	%	—	77.1
Copper produced in concentrate	tonnes	—	11,047
Silver produced in concentrate	Ounces	—	1,095,801
Copper sold	tonnes	—	12,873
Silver sold	Ounces	—	1,317,389
Operating cash cost (ex-mine gate) (after silver credits)	US\$/lb Cu	—	1.13
TC/RC and freight charges	US\$/lb Cu	—	0.54
Total cash costs from operations	US\$/lb Cu	—	1.67

The loss at Dikulushi was due to there being no production during 2009 following the cessation of operations in December 2008 and ongoing costs associated with care and maintenance. Unfavourable provisional pricing adjustments of US\$1.0 million in the first quarter of 2009 and staff redundancy payments of US\$0.4 million also contributed to the loss.

2009 Anvil Group Net Income / (Loss)

	Year 2009		Year 2008	
	US\$ million	% Sales	US\$ million	% Sales
Operating (loss)	(7.0)	(14)	(3.0)	(2)
Other income	1.3	2	8.2	4
General administrative and marketing costs	(10.1)	(20)	(22.7)	(12)
Provision for impairment of assets	(0.6)	(1)	—	—
Write back for impairment of assets	(2.9)	(6)	(103.1)	(54)
Exploration expenditure written off	4.1	8	—	—
Loss on derivative instrument	(1.1)	(2)	(1.4)	—
Interest expenses	(3.2)	(7)	(31.3)	(16)
Other expenses	(1.5)	(3)	(3.5)	(2)
Income tax	3.3	7	12.9	7
Non-controlling interest	—	—	5.4	3
Net (loss) from continuing operations	(17.7)	(36)	(138.5)	(72)
(Loss) per share per continuing operations				
- basic	(0.18)		(1.95)	
- diluted	(0.18)		(1.95)	
Weighted average shares outstanding				
- basic	97.3		71.2	
- diluted	97.3		71.2	

The net loss for the year of US\$17.7 million was mainly due to an operating loss of US\$7.0 million as a result of the cessation of operations at Mutoshi, the suspension of HMS processing at Kinsevere until 27 March 2009, ongoing care and maintenance costs and staff redundancy payments.

A net recovery of US\$4.0 million was credited against provision for impairment of available-for-sale investments due to an appreciation in the market value of these investments. This was offset by provision for impairment of long lived assets of US\$2.9 million that related primarily to the EAF at Kinsevere.

The decrease in other income was a result of lower interest income earned on both the Anvil Group's available-for-sale investments and surplus cash held on term deposit with leading international banks.

Anvil completed the transfer of its interest in the Itogon Project, resulting in an expenditure write-off of US\$3.2 million. Under the terms of the transfer, Anvil received a cash payment for the depreciated value of items on the project fixed asset register and will receive separate payments on completion of a bankable feasibility study and commencement of commercial production. No amount has been recognized for these additional payments at this stage, due to the contingent nature of the receivables.

2009 Anvil Group Cash Flows

Cash flows from:	Year 2009	Year 2008
	<i>US\$ million</i>	<i>US\$ million</i>
Operating activities		
- before working capital changes	0.8	33.8
- after working capital changes	5.3	42.5
Investing activities	(45.6)	(205.5)
Financing activities	120.9	(7.8)
Cash flow from discontinued operations	<u>(4.5)</u>	<u>—</u>
Net increase / (decrease) in cash and cash equivalents	<u>76.1</u>	<u>(170.8)</u>
Cash flow per share		
- before working capital changes	0.01	(0.47)
- after working capital changes	0.05	(0.60)

Cash inflows from operations (after working capital changes) for the year ended 31 December 2009 were US\$5.3 million (2008: US\$42.5 million). Operating cash flows after working capital changes were impacted by the implementation of cost reduction measures, which resulted in staff redundancy payments of US\$5.1 million, care and maintenance costs incurred at Mutoshi during 2009 of US\$1.8 million, and care and maintenance costs incurred at Kinsevere for the first quarter of 2009.

Investing cash outflows were US\$45.6 million (2008: US\$205.5 million). Expenditures for property, plant and equipment of US\$49.3 million for the year ended 31 December 2009 (2008: US\$186.2 million) were predominantly related to the development of Kinsevere Stage II. These were partially offset by US\$12.8 million of proceeds realized from principal repayments on the available-for-sale investments and US\$0.9 million of proceeds from the sale of long lived assets. In addition, Anvil incurred US\$7.2 million for the pas de porte (entry premium) payment to Gécamines in relation to the Mutoshi agreement reflected as payments for exploration expenditure.

Financing cash inflows were US\$120.9 million (2008: US\$7.8 million cash outflows), of which net proceeds of US\$27.2 million was received from the public offering of Common Shares by way of short form prospectus that was completed in May 2009 and net proceeds of US\$97.1 million received from the Private Placement. Anvil also incurred expenses of US\$2.9 million on the Loan Facility.

Cash outflows flow from discontinued operations, which relate entirely to the Dikulushi mine was US\$4.5 million.

3 BALANCE SHEET

US\$ million	31 December 2009	31 December 2008
Assets		
Cash and cash equivalents (including restricted)	121.6	45.9
Current available-for-sale investments	1.2	24.0
Other current assets	58.1	106.6
Property, plant & equipment	324.5	280.3
Other non-current assets	108.8	75.8
Assets classified as held for sale	7.3	—
Total assets	621.5	532.6
Liabilities		
Current liabilities	14.6	38.0
Long-term debt	0.1	0.3
Other non-current liabilities	6.7	—
Further income tax liability	21.0	24.4
Asset retirement obligations	12.9	13.0
Liabilities classified as held for sale	2.7	—
Total liabilities	58.0	75.7
Non-controlling interests	0.3	(1.9)
Shareholders' equity	563.2	458.8
Working capital	166.3	138.5
Weighted average number of shares (for basic earnings per share) (millions)	97.3	71.2
Outstanding shares (millions)	150.4	71.2

Financial resources and liquidity*Cash and cash equivalents*

The increase in cash and cash equivalents to US\$121.6 million for the year ended 31 December 2009 (31 December 2008: US\$45.9 million) was due to proceeds of US\$124.3 million received from the Private Placement and the completion of a public offering of Common Shares in May 2009. This was offset by cash expenditure for property, plant and equipment of US\$49.3 million, of which US\$10.0 million related to entry premium payments to Gécamines for Kinsevere and US\$36.0 million related to capital expenditure for Kinsevere Stage II, US\$7.2 million for the pas de porte (entry premium) payment to Gécamines reflected as payments for exploration expenditure, US\$2.9 million for deferred financing expenses in relation to the funding agreement with Trafigura and US\$2.0 million in relation to other financing activities. Anvil received US\$12.8 million from the principal repayments of its available-for-sale investments and US\$0.9 million from the disposal of long lived assets.

Available-for-sale investments

The decrease in available-for-sale investments to US\$18.1 million (US\$1.2 million represented as current assets and 16.9 million as non-current assets) for the period ended 31 December 2009 (31 December 2008: US\$24.0 million) was primarily attributable to maturing investments (US\$12.8 million), which were converted into cash, a reversal of prior year impairment charge of US\$4.1 million resulting from an appreciation in the market value of the available-for-sale investments and net unrealized gains of US\$2.2 million arising primarily from an appreciation in the market value of equity investments (Chalice Gold Mines Ltd).

Current assets

Total current assets for the period ended 31 December 2009 increased by US\$5.7 million to US\$182.2 million (31 December 2008: US\$176.5 million). In addition to the movement in cash and investments outlined above, there was a decrease in accounts receivables of US\$2.3 million due to the collection of outstanding receivables and a decrease in sales. Inventory decreased by US\$16.8 million due to sale of the concentrate stockpile at Kinsevere and depletion of the ROM stockpile from resumption of HMS processing at Kinsevere. Prepaid expenses and deposits decreased by US\$25.4 million to US\$25.9 million as they were applied against the purchase of capital equipment and services in connection with Kinsevere Stage II. As at the end of 2009, the majority of the available-for-sale investments were reclassified to non-current assets (US\$16.9 million) as the intention is to hold them to maturity which is greater than twelve months.

Current liabilities

Current liabilities for the period ended 31 December 2009 decreased by US\$23.4 million to US\$14.6 million (31 December 2008: US\$38.0 million). The decrease in current liabilities was due to payments made to suppliers in connection with both the Anvil Group's operations and Kinsevere Stage II.

Total liabilities

Total liabilities for the period ended 31 December 2009 decreased by US\$17.7 million to US\$58.0 million (31 December 2008: US\$75.7 million). The decrease was mainly due to a decline in the deferred tax liability of US\$3.3 million relating to temporary differences on depreciation of assets for book and tax purposes in DRC and a decrease in non-controlling interests. These were offset by recognition of non-current liability for the entry premium relating to Mutoshi of US\$6.7 million and increase in asset retirement obligation of US\$0.9 million.

Non-controlling interests

At 31 December 2009 non-controlling interests had decreased to US\$0.3 million (31 December 2008: US\$1.9 million) due to non-controlling interests relating to Dikulushi. Non-controlling interests relating to Kinsevere and Mutoshi are recorded at nil due to retained losses at both operations.

Shareholders' equity

At 31 December 2009 shareholders' equity had increased by US\$104.4 million to US\$563.2 million, due to the issue of Common Shares by way of a short form prospectus that was completed in May 2009 (US\$27.2 million), completion in December 2009 of the Private Placement (net proceeds of US\$97.1 million), a net unrealized gain related to the mark-to-market movement in the value of the available-for-sale investments (US\$2.2 million) and an increase in stock based compensation (US\$1.9 million), all of which were offset by a decrease in retained earnings of US\$20.9 million.

Capital structure

The Anvil Group's objectives when managing capital are to:

- (a) have sufficient capital to develop and maximise returns from the Anvil Group's mineral properties;
- (b) safeguard the Anvil Group's ability to construct and commission the SX-EW Plant;
- (c) continue to provide returns for shareholders; and
- (d) maintain the Anvil Group's ability to continue as a going concern.

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

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

Gearing ratio

Gearing ratio	31 December 2009	31 December 2008
	<i>US\$ million</i>	<i>US\$ million</i>
Cash and cash equivalents	120.8	45.0
Less: Total borrowings	<u>0.4</u>	<u>0.7</u>
Net debt	120.4	44.3
Shareholders' equity	<u>563.2</u>	<u>458.8</u>
Gearing ratio	0.21	0.10

4 MATERIAL ACQUISITIONS AND DISPOSALS

At 31 December 2009, the Anvil Group had available-for-sale investments of US\$18.1 million (2009: US\$24.0 million). The available-for-sale investments are intended to be held to maturity or liquidated should the Anvil Group's funding requirements necessitate. Of this balance, US\$3.3 million of the fair value of the available-for-sale investments, represents Anvil's investment in Chalice Gold Mines Ltd.

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

During February 2010, Anvil reached agreement with Mawson West on the terms and conditions for the sale of Anvil's 90% interest in Anvil Mining Congo SARL ("AMC"). AMC is the holder of the Dikulushi Mining Convention and the Dikulushi copper-silver mine in the DRC which was placed on care and maintenance in the fourth quarter of 2008.

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

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

5 CHARGE ON ASSETS

As at 31 December 2009, the Anvil Group had restricted cash of US\$0.9 million which related to cash deposits held by the Anvil Group's bankers against deposits held for future mine property rehabilitation and guarantees for acquisition of equipment related to Kinsevere Stage II.

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

6 CONTRACTUAL OBLIGATION AND COMMITMENT

The following table summarizes the Anvil Group's contractual and other obligations, as at 31 December 2009.

Payments due by period (US\$ million)	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt	0.4	0.3	0.1	—	—
Environmental and mine closure liabilities	13.8	—	0.7	0.9	11.4
Capital commitments — Kinsevere Stage II	13.7	13.7	—	—	—
Equipment operating lease	1.1	0.4	0.7	—	—
Entry premium payment ¹	11.7	5.0	6.7	—	—

1. Payment to Gécamines in connection with the amendment to the Kinsevere lease agreement reached in January 2009 and amendment to the Mutoshi JV agreement reached in July 2009.

7 CONTINGENT LIABILITIES

The Anvil Group did not have any contingent liabilities at 31 December 2009.

8 FINANCIAL RISK MANAGEMENT

The Anvil Group's activities are exposed to a variety of financial risks, which include foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. From time to time, the Anvil Group may use derivative financial instruments such as foreign exchange forward contracts, commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. The use of derivatives is based on established practices and parameters, which are subject to the oversight of the Anvil Board.

(a) Market Risk

(i) Foreign exchange risk

The Anvil Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ against AS\$, South African Rand, Canadian Dollar, Congolese Franc and to lesser extent against Philippine Peso and Zambian Kwacha. Anvil is exposed to the currency risk on cash and cash equivalents (including restricted cash), accounts payables and accrued liabilities, and some available-for-sale investments.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a foreign currency. The risk is measured on the basis of a sensitivity analysis

and forecasting cash flows. The Anvil Group reviews its foreign currency needs and may take appropriate financial derivatives as required to mitigate the risks. Anvil has not entered into any forward exchange contracts as at 31 December 2009 and is currently fully exposed to foreign exchange risk in relation to the financial instruments stated above.

(ii) *Commodity price risk*

The Anvil Group is subject to price risk from fluctuations in market price of commodities. From time to time, the Anvil Group may hedge its commodity price risk by using derivatives like commodity price contracts to manage its exposure to fluctuations in commodities prices. The use of derivatives is based on established practices and parameters, and is subject to approval by the Anvil Board. The Anvil Group's commodity price risk associated with financial instrument primarily relates to changes in fair value caused by settlement adjustments to receivables. As at 31 December 2009, the Anvil Group fixed the final price of all the provisional copper-concentrate sale contracts at US\$7,320 per tonne. As a result of the price-fixing, the Anvil Group is not exposed to commodity price risk on those receivables at year ended 31 December 2009 (2008: the effect on net income after-tax of a 10% change to metal price on receivables balance was US\$0.6 million).

(iii) *Securities price risk*

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

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

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

(iv) *Interest rate risk*

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

(b) **Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents,

derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Anvil Group's primary counterparties related to its available-for-sale investments carry investment grade ratings of BBB+ or above. The Anvil 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 Anvil Group's maximum exposure to credit risk at the reporting date is the carrying value of receivables, cash and cash equivalents and available-for-sale investments.

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Anvil Group. The Anvil Group believes that its maximum exposure to credit risk as at 31 December 2009 and 2008 is the carrying value of its trade receivables.

Concentrate produced at the Anvil Group's operating Kinsevere mine is sold to a small number of metal traders with whom the Anvil Group has established long-term relationships. Limited amounts are occasionally sold locally on an ad hoc basis. The payment terms vary and provisional payments are normally received within 2-4 weeks after delivery, in accordance with the industry practice, with final settlement up to four months following the date of shipment. For the year ended 31 December 2009 and 2008, the Anvil Group derives approximately 90% of its revenues from one major customer.

(c) Liquidity risk

As at 31 December 2009 Anvil had US\$120.8 million in cash, US\$18.1 million in available-for-sale investments, US\$17.9 million in trade receivables, and practically no debt.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Anvil Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

In addition to the Private Placement, Trafigura has made available to Anvil the Loan Facility, which will be available for drawdown only after funds from the Private Placement have been utilised.

9 HUMAN RESOURCES

As at 31 December 2009, the Anvil Group employed a total of 233 full-time employees in its operations (not including contractors of the Anvil Group) of which 21 were based in Australia, 2 in South Africa, 209 in the DRC and 1 in Canada. Total staff costs for the Anvil Group, including director's emoluments amounted to US\$10.5 million (2009: US\$16.4 million).

The Anvil Group has adopted remuneration policies in line with market practice and remunerated its employees on the responsibilities of their role, their performance and the performance of the Anvil Group. Other employee benefits include performance related incentives and, in specific cases, insurance and medical coverage. Training is offered to employees across the Anvil Group, including an intensive Supervisory/Management programme for DRC Staff, which is designed to improve individual and group performance.

10 OUTLOOK

Longer term objectives (2010 onwards)

- Completion of construction, commissioning and ramp up of the SX-EW Plant.
- Completion of a scoping study on options to heap-leach low-grade material (0.3% to 0.7%Cu) in order to provide additional feed to the SX-EW Plant.
- Identification of investment opportunities in the DRC to consolidate Anvil's position in the DRC and to develop a pipeline of growth prospects.
- Completion of additional drilling to allow Anvil to further evaluate the Mutoshi Project.
- Initiation of further drilling at Kinsevere to enable the delineation of an expanded sulphide resource.
- Completion of preliminary studies on the mining and processing of the sulphide resource at Kinsevere.

Development: SX-EW Plant

Anvil continues to make good progress with the construction and fabrication works for the Kinsevere Stage II SX-EW development that is expected to produce 60,000 tonnes per year of LME Grade A copper cathode.

Key areas of progress during the past four weeks have included:

- Ausenco has almost completed its mobilization, with 20 Ausenco personnel now at site.
- Mobilization of South African construction subcontractor Group 5 is at an advanced stage with over 200 Group 5 personnel now at site.
- The full owner's representative team is now on site.
- Plant and equipment including prefabricated steel work, some of which was previously on the critical path, continues to be transported through to site.

- Accommodation camp refurbishment is now 95% complete and well in advance of the contractor personnel build-up which is expected to peak at approximately 800 in May 2010.

The project benefits from having the engineering and design work now virtually completed, having had both Ausenco and Group 5 working previously on the project, having a large amount of equipment and materials already on site and having many work faces available, all of which provides a great deal of flexibility in terms of the construction program.

In addition, work has commenced on a scoping study of options to heap-leach the low-grade material (0.3% to 0.7%Cu) which will need to be mined from the currently designed open pit shells, in order to provide additional feed to the SX-EW Plant.

Exploration

The only exploration expenditure incurred during the year related to cash calls in connection with the Kapulo project.

During the year, Anvil further reduced its interest in non-core exploration projects, finalizing the disposal of the Itogon Project and completing a second earn-in agreement in connection with tenements held in the Kalemie district, located near Lake Tanganyika in the DRC.

FOR THE YEAR ENDED 31 DECEMBER 2010

1 PERFORMANCE SUMMARY

Key points for 2010

- Net sales of US\$60.1 million compared to US\$49.2 million for 2009.
- Net income from continuing operations of US\$20.0 million (US\$0.13 per share), compared to net loss of US\$17.7 million (-US\$0.18 per share) for 2009.
- Positive cash flows from continuing operations, before working capital movements, of US\$16.2 million (US\$0.11 per share) compared to positive cash flows of US\$0.8 million (US\$0.01 per share) for 2009.
- Average realized copper price of US\$3.27 per pound, compared to US\$2.56 per pound for 2009.
- Production of 16,538 tonnes of copper, compared to 16,406 tonnes of copper during 2009.

Operation

HMS Plant

For the 12 months ended 31 December 2010, the HMS and spirals plants produced 16,538 tonnes of copper contained in concentrate.

Key performance details of the HMS Plant for the 12 months ended 31 December 2010 and comparative information for the corresponding period in 2009 are set out in the table below:

Operating Performance: HMS Plant	Year 2010	Year 2009
Ore processed — HMS plant (dmt)	303,162	231,823
Feed grade — HMS (%)	7.1	8.2
Contained copper — HMS (tonnes)	21,398	19,066
Recovery Cu — HMS (%)	68.3	76.0
Concentrate produced — HMS and spirals (tonnes)	67,128	62,468
Concentrate grade — HMS and spirals (% Cu)	24.6	26.3
Copper produced in concentrate — HMS and spirals (tonnes) ¹	16,538	16,406
Copper sold — tonnes Cu	16,866	19,577
Average realized price — US\$ / lb	3.27	2.56
Operating cash cost (ex mine gate) — US\$ / tonne concentrate	349	218

1. In addition to producing a coarse concentrate from the HMS Plant, a fine grained, slightly lower grade concentrate is produced from a spirals circuit, through which the fines (<0.6mm) that are screened off before the HMS circuit, are treated.

The table below illustrates the cash performance of the Kinsevere HMS Plant for the 12 months ended 31 December 2010:

Financial Performance: HMS Plant	Year 2010 <i>US\$ million</i>
Sales	59.1
Operating expenses	<u>(28.6)¹</u>
Cash generated from HMS operations after operating expenses	<u>30.5</u>
Care and maintenance expenses	(3.6)
Sustaining capital expenditure	(3.0)
Corporate overhead expenses	<u>(10.7)</u>
Cash generated from HMS operations after operating and Anvil Group expenses	<u><u>13.2</u></u>

1. Includes sales costs of US\$5.2 million.

Mutoshi

During February 2011, Anvil signed an agreement with Alexander to build and operate a pilot plant (the “**Pilot Plant**”) to treat up to 150,000 tonnes of cobalt ore at Anvil’s Mutoshi deposit located in the Kolwezi region. The Pilot Plant will utilize Alexander’s proprietary ammonia-based leaching technology to process ore from Anvil’s Mutoshi deposit, for the production of cobalt metal. Under the terms of the agreement with Alexander, Alexander is responsible for financing the construction and development of the Pilot Plant.

2 YEAR 2010 PERFORMANCE

2010 Anvil Group Operating Profit / (Loss) — by segment

	Year 2010		Year 2009	
	US\$ million	% Sales	US\$ million	% Sales
Kinsevere	12.8	21	2.1	4
Mutoshi	(2.6)	(4)	(3.0)	(6)
CDA ¹	<u>(1.5)</u>	<u>(2)</u>	<u>(6.1)</u>	<u>(19)</u>
Total operating profit / (loss)	<u>8.7</u>	<u>14</u>	<u>(7.0)</u>	<u>(14)</u>

1. These are administration and technical support costs based in the DRC to support the mine operations and development.

An increase in Anvil Group operating profit to US\$8.7 million (2009: -US\$7.0 million) was primarily due to an increase in revenue from sales of concentrate that resulted from a higher realized copper price (US\$3.27 compared to US\$2.56 during 2009). In addition, operating costs were lower in 2010 as the 2009 costs included a number of one-off payments, such as staff redundancy payments of US\$4.1 million.

Kinsevere records operating profit of US\$12.8 million

The Anvil Group's results for the 12 months ended 31 December 2010 were driven largely by the performance of the HMS Plant, which for the 12 months ended 31 December 2010, produced 16,538 tonnes of copper in concentrate at an operating cash cost of US\$349 per tonne of concentrate for sales of copper of 16,866 tonnes at an average realized price of US\$3.27 per tonne and an operating profit of US\$12.8 million.

The operating cash costs per tonne of oxide concentrate at Kinsevere for the 12 months ended 31 December 2010 were US\$349 per tonne (2009: US\$218 per tonne), the increase in operating cash costs due primarily to higher mining costs incurred during the fourth quarter.

2010 Anvil Group Net Income / (Loss)

	Year 2010		Year 2009	
	US\$ million	% Sales	US\$ million	% Sales
Operating profit / (loss)	8.7	14	(7.0)	(14)
Other income	7.1	12	1.3	2
General administrative and marketing costs	(12.6)	(21)	(10.1)	(20)
Provision for impairment of assets	—	—	(2.9)	(6)
Write back for impairment of assets	9.7	16	4.1	8
Exploration expenditure written off	(1.3)	(2)	(3.2)	(7)
Gain / (loss) on derivative instrument	0.8	1	(0.6)	(1)
Interest expenses	(2.4)	(4)	(1.1)	(2)
Other expenses	(2.1)	(4)	(1.5)	(3)
Income tax	9.2	15	3.3	7
Non-controlling interest	2.9	5	—	—
Net income / (loss) from continuing operations	20.0	33	(17.7)	(36)
Gain on sale of discontinued operation	5.9	10	—	—
Loss from discontinued operations	(0.9)	(1)	(3.2)	(7)
Net Income/ (Loss)	25.0	42	(20.9)	(43)
Earnings / (Loss) per share per continuing operations				
- basic	0.13		(0.18)	
- diluted	0.13		(0.18)	
Weighted average shares outstanding				
- basic	150.3		97.3	
- diluted	154.7		97.3	

Anvil Group net income of US\$25.0 million for the 12 months ended 31 December 2010 (2009: US\$20.9 million) was due to a number of factors, including: an operating profit of US\$8.7 million, recognition of a gain on the sale of Dikulushi of US\$5.9 million, recognition of gain on sale of available-for-sale investments of US\$4.7 million, reversal of impairment relating to the available-for-sale debt investments of US\$9.7 million and income tax benefits of US\$9.2 million that relate to tax losses which are expected to reduce future taxable income within the relevant tax jurisdiction.

A write-off of exploration expenditure of US\$1.3 million was due to the relinquishment of certain tenements in which the Anvil Group has no further exploration interest or development plans.

2010 Anvil Group Cash Flows

Cash flows from:	Year 2010	Year 2009
	<i>US\$ million</i>	<i>US\$ million</i>
Operating activities		
- before working capital changes	16.2	0.8
- after working capital changes	17.7	5.3
Investing activities	(115.8)	(45.6)
Financing activities	34.5	120.9
Cash flow from discontinued operations	<u>(0.9)</u>	<u>(4.5)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(64.5)</u>	<u>76.1</u>
Cash flow per share		
- before working capital changes	0.11	0.01
- after working capital changes	0.12	0.05

Cash flows from operations for the 12 months ended 31 December 2010 were US\$17.7 million (12 months ended 31 December 2009: US\$5.3 million cash inflow). The increase in cash flows from operations was due primarily to the HMS Plant operating for the full twelve months of 2010, compared to 2009, during which it operated for only nine months and an increase in realized copper prices. Investing cash outflows of US\$115.8 million included cash expenditures on plant and equipment of US\$138.9 million (12 months ended 31 December 2009: US\$49.3 million) in connection with the development of Kinsevere Stage II and cash inflow from the sale of the available-for-sale investments of US\$30.1 million (12 months ended 31 December 2009: nil).

Financing cash inflows were US\$34.5 million (12 months ended 31 December 2009: US\$120.9 million) which were due mainly to the proceeds received under the Loan Facility (net of financing fees).

3 BALANCE SHEET

US\$ million	31 December 2010	31 December 2009
Assets		
Cash and cash equivalents (including restricted)	64.2	121.6
Current available-for-sale investments	—	1.2
Other current assets	27.2	58.1
Property, plant & equipment	482.6	324.5
Other non-current assets	101.9	108.8
Assets related to discontinued operations	—	7.3
Total assets	675.9	621.5
Liabilities		
Current liabilities	36.8	14.7
Long-term debt	31.8	0.1
Other non-current liabilities	0.1	6.7
Future income tax liability	10.8	21.0
Asset retirement obligations	13.4	12.9
Liabilities related to discontinued operations	—	2.7
Total liabilities	92.9	58.1
Non-controlling interest	(2.9)	0.2
Shareholders' equity	585.9	563.2
Working capital	54.1	166.3
Weighted average number of shares (for basic earnings per share) (millions)	150.3	97.3
Outstanding shares (millions)	150.3	150.4

Financial resources and liquidity*Cash and cash equivalents*

The decrease in cash and cash equivalents to US\$64.2 million for the 12 months ended 31 December 2010 (31 December 2009: US\$121.6 million) was due mainly to cash expenditure for property, plant and equipment of US\$138.9 million that related to capital expenditure for Kinsevere Stage II.

Available-for-sale investments

The decrease in available-for-sale investments to nil for the period ended 31 December 2010 (31 December 2009: US\$18.0 million) was due to the sale in the fourth quarter of 2010 of all available-for-sale investments, for proceeds of US\$30.1 million.

Other current assets

Other current assets for the period ended 31 December 2010 decreased by US\$30.9 million to US\$27.2 million (31 December 2009: US\$58.1 million), which was due to the transfer of prepayments for capital equipment to property, plant and equipment upon recommencement of construction works at Kinsevere Stage II.

Current liabilities

Current liabilities for the period ended 31 December 2010 increased by US\$22.2 million to US\$36.8 million (31 December 2009: US\$14.7 million), reflecting increased operating and construction activity.

Long-term debt

Long-term debt for the period ended 31 December 2010 increased by US\$31.7 million to US\$31.8 million (31 December 2009: US\$0.1 million) due to draw downs of US\$42.0 million under the Loan Facility. Deferred financing fees relating to the establishment of the facility have been offset proportionately against the current and long-term portion of the debt.

The Loan Facility bears interest at a fixed margin of 4.0% over the 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.

Capital structure

The Anvil Group's objectives when managing capital are to:

- (a) have sufficient capital to develop and maximise returns from the Anvil Group's mineral properties;
- (b) safeguard the Anvil Group's ability to construct and commission the SX-EW Plant;
- (c) continue to provide returns for shareholders; and
- (d) maintain the Anvil Group's ability to continue as a going concern.

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

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

Gearing ratio

Gearing ratio	31 December	31 December
	2010	2009
	<i>US\$ million</i>	<i>US\$ million</i>
Cash and cash equivalents	56.4	120.8
Less: Total borrowings	<u>36.5</u>	<u>0.4</u>
Net debt	19.9	120.4
Shareholders' equity	<u>585.9</u>	<u>563.2</u>
Gearing ratio	0.03	0.21

4 MATERIAL ACQUISITIONS AND DISPOSALS

At 9 April 2010 the Anvil Group completed the sale to Mawson West of 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 Anvil Group were transferred to Mawson West, in consideration for which the Anvil 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 US\$5.9 million resulted from the share consideration received from Mawson West of US\$12.5 million (83,070,000 shares in Mawson West valued at US\$0.15 per share), for the Anvil Group's 90% interest in Dikulushi mine which had been valued at US\$5.6 million. Further costs of US\$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 Anvil 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 Anvil Group has ascribed the additional value to exploration assets within the investment.

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

The Anvil Group disposed of its available-for-sale investments during November and December 2010 for proceeds of US\$30.1 million.

5 CHARGE ON ASSETS

As at 31 December 2010, the Anvil Group had restricted cash of US\$7.8 million compared to US\$0.9 million as at 31 December 2009. The increase in restricted cash of US\$6.9 million was predominantly due to new deposits held as security for the Kinsevere Stage II project. These deposits related primarily to cash collateral in connection with security in place under the Kinsevere Stage II engineering, procurement and construction management contract and were 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.

6 CONTRACTUAL OBLIGATION AND COMMITMENT

The following table summarizes the Anvil Group's contractual and other obligations, as at 31 December 2010.

Payments due by period (US\$ million)	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Environmental and mine closure liabilities	13.4	—	—	—	13.4
Capital commitments — Kinsevere Stage II	39.1	39.1	—	—	—
Equipment operating lease	0.7	0.4	0.3	—	—
<i>Pas de Porte</i> — Mutoshi	7.2	7.2	—	—	—
Settlement of cancellation of contract ¹	3.2	3.2	—	—	—

1. Relates to the settlement of a claim received in December 2010 relating to the termination of a mining contract in 2008 at Kinsevere.

7 CONTINGENT LIABILITIES

During November 2010, a group of non-governmental organisations calling itself the Canadian Association Against Impunity, comprised of the Anvil Groups Rights and Accountability in Development, the Canadian Centre for International Justice and Global Witness has lodged a class action application against Anvil in a Montréal court. The action appears to be supported by two Congolese advocacy groups: l'Association africaine de Défense des droits de l'Homme and Action Contre l'Impunité pour les Droits Humains.

The action is apparently based upon an incident at Kilwa in the north-east part of the Katanga province of the DRC, which occurred in 2004. Over the past several years, the incident and Anvil have been subject to numerous investigations and court proceedings both in and outside the DRC. No findings adverse to Anvil or any of its employees have arisen in respect of the Kilwa incident in any of the foregoing.

Anvil intends to defend itself and has appointed counsel, with the first stage of the process involving the hearing of preliminary motions, which is expected to take place during the second quarter of 2011.

For additional information on these issues, please refer to the section entitled "Litigation", as set out in Appendix V to this circular.

8 FINANCIAL RISK MANAGEMENT

The Anvil 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 Anvil 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 Anvil Group. The Anvil 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 Anvil Board.

The Anvil 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.

(a) Market Risk

(i) Foreign exchange risk

The Anvil 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 Anvil Group's functional currency.

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

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

(ii) Commodity price risk

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

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

As at 31 December 2010, the Anvil 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 US\$9,095 per tonne.

As at 31 December 2009, the Anvil Group fixed the final price of all the provisional copper-concentrate sale contracts at US\$7,320 per tonne. As a result of the price-fixing, the Anvil Group was not exposed to commodity price risk on those receivables at year ended 31 December 2009.

(iii) *Interest rate risk*

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

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

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

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

(b) **Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Anvil 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 Anvil 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 Anvil Group. The Anvil Group believes that its maximum exposure to credit risk as at 31 December 2010 and 2009 is the carrying value of its trade receivables.

Concentrate produced at the Anvil 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.

(c) Liquidity risk

As at 31 December 2010 Anvil had US\$56.4 million in cash (2009: US\$120.7 million), nil available-for-sale investments (2009: US\$18.1 million), US\$10.8 million in trade receivables (2009: US\$17.9 million) and US\$36.5 million in long-term debt (2009: US\$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 Anvil Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

9 HUMAN RESOURCES

As at 31 December 2010, the Anvil Group employed a total of 345 full-time employees in its operations (not including contractors of the Anvil Group) of which 25 were based in Australia, 2 in South Africa, 316 in the DRC and 2 in Canada. Total staff costs for the Anvil Group, including director's emoluments amounted to US\$13.9 million (2009: US\$10.5 million).

The Anvil Group has adopted remuneration policies in line with market practice and remunerated its employees on the responsibilities of their role, their performance and the performance of the Anvil Group. Other employee benefits include performance related incentives and, in specific cases, insurance and medical coverage. Training is offered to employees across the Anvil Group, including an intensive supervisory/management programme for DRC Staff, which is designed to improve individual and group performance.

10 OUTLOOK**Kinsevere Stage II**

The Anvil Group's focus of effort is on the completion of the final stages of construction of the 60,000 tonnes per year SX-EW Plant, successfully commissioning the SX-EW Plant during the second quarter and reaching design capacity as soon as possible later this year. The immediate priority is on continued integrity testing and pre-commissioning of the SX-EW Plant to confirm functionality of all of the process circuits.

As expected, construction during December and January was affected by the wet season, but solid progress has been achieved and as at the end of February 2011, the project was over 90% complete. Maintenance and operations teams are now fully established, the process shift teams have been appointed and training is being conducted at Kinsevere, aided by a pilot SX plant.

A full commissioning team is on site and commissioning work is under way. The main 33 kV high-voltage power line is now energized enabling substations in various areas including crushing, grinding, solution ponds, SX and EW, tailings transfer and reagents services to be powered up. Commissioning of most utility systems has commenced, including: air, fire water, raw water and potable water.

Wet commissioning activities have commenced in the leach area, the CCD rake systems, flocculant make-up areas, diluent unloading and storage systems and the low-grade SX area. The acid unloading and storage facility is operational, with approximately 1,500 tonnes of 98% concentrated sulphuric acid now stored in this facility. Delivery of diluent is expected to commence during March. In addition, the anode load-up for tank-house 1 has been completed and the cells for tank-house 2 are in place. The commissioning of safety showers, fire hydrants and air systems in various plant areas is progressing well.

As at 28 February 2011, US\$152 million of the US\$200 million budget for completion of construction had been spent, US\$111 million of which relates to Ausenco Engineering, Procurement and Construction (Lump Sum Turn Key) Contract (the “**EPC Contract**”) costs and US\$41 million to Owner’s Costs, with a further US\$33 million committed for a total spent and committed amount of US\$185 million of the remaining US\$200 million required to complete the project.

Restart of Exploration

The only exploration expenditure incurred during the 12 months ended 31 December 2010 related to the payment of annual rents on 12 of the Anvil Group’s tenements in the DRC. During the fourth quarter of 2010, the Anvil Group recruited two senior geologists to drive the restart of the Anvil Group’s exploration efforts in the DRC.

With the Anvil Group’s focus on the completion of Kinsevere Stage II and achieving a low-cost operation of the HMS Plant, there has not been available capacity to carry out exploration. During 2011, the Anvil Group plans to restart exploration, targeting the following areas:

- Identification of opportunities in close proximity to Kinsevere, which is currently the immediate priority of the manager of exploration and an expatriate exploration geologist, both of whom were recruited during the fourth quarter of 2010.
- Further drilling at Kinsevere in order to delineate an expanded sulphide resource. Results from previous drilling at Kinsevere identified the following sulphide resource:
 - A Measured and Indicated Resource of 3.76 million tonnes with a total copper grade of 3.70% for approximately 139,000 tonnes of contained copper; and
 - An Inferred sulphide resource of 12.6 million tonnes with a total copper grade of 3.54% for approximately 447,000 tonnes of contained copper.
- Prior to being placed on care and maintenance, a 55,000 metre drilling program was completed at Mutoshi and the Anvil Group plans to start an in-fill drilling program later in 2011, the objective of which is to define sufficient near-surface oxide copper and cobalt mineralization to enable evaluation of development options.

Artisanal mining at Mutoshi

Given Anvil’s focus on the completion of Kinsevere Stage II, the Anvil Group has not had the capacity recently to carry out further evaluation of the Mutoshi Project, located in the Kolwezi region of the Katanga province in the DRC. As a result, a number of artisanal miners became active in the area and continue to have a presence on part of the Mutoshi tenements.

Liquidity and financial resources

As at 28 February 2011 Anvil had approximately US\$51.4 million in cash, all of which is held on deposit with international banks and restricted cash of US\$7.8 million, the majority of which relates to cash collateral in connection with security in place under the EPC Contract. The Anvil Group has commitments of approximately US\$33.0 million that relate to the Kinsevere Stage II development. In January 2011 US\$7.2 million for a pas de porte (entry premium) payment was paid to Gécamines, being the second and final payment with respect to the Mutoshi amended agreements.

During December 2010, the Anvil Group completed the liquidation of its available-for-sale debt investments for proceeds of approximately US\$24.5 million, which together with the sale of the available-for-sale equity investment (Chalice Gold Mines Limited, US\$5.6 million) generated total proceeds of US\$30.1 million. In January 2011, Trafigura exercised 6.0 million Warrants for proceeds of approximately US\$16.6 million. In addition to its cash, as at 17 March 2011 US\$43 million of the Loan Facility remains undrawn.

Together with the Loan Facility, the proceeds of which are being used exclusively to meet costs associated with the completion of construction of Kinsevere Stage II, additional funds received from the liquidation of the available-for sale investments and Trafigura's exercise of the Warrants, the Anvil Group anticipates that it is fully funded to take Kinsevere Stage II to construction completion, commissioning and ramp up.

Although the development of Kinsevere Stage II is fully funded, Anvil is continuing work on refinancing the Loan Facility with a group of banks, however that refinancing is no longer critical to the completion of Kinsevere Stage II.

The Anvil Group continues to operate the HMS Plant with a focus on achieving low-cost production and enabling the Anvil Group to generate positive cash flow to meet non-Kinsevere Stage II costs, including: care and maintenance of the Mutoshi mine, corporate overheads, social development and sustaining capital expenditure, until such time as the SX-EW Plant becomes operational.

Hedging

While there are no hedging requirements under the Loan Facility, in order to protect the expected cash flows from the HMS Plant until such time as the full commissioning of Kinsevere Stage II has been completed, in January 2011, Anvil entered into a zero-cost collar transaction (the "**Hedging Transaction**") with an international bank, to hedge 250 tonnes per month of payable copper for the first half of 2011. Under the terms of the Hedging Transaction, Anvil has locked in a floor price of US\$3.86 per pound and a cap price of US\$4.37 per pound and will receive the market price where the copper price is between US\$3.86 per pound and US\$4.37 per pound. On this basis, the HMS Plant is expected to generate sufficient cash to allow the Anvil Group to meet its non-Kinsevere Stage II expenses until commencement of SX-EW processing, which is expected to take place during the second quarter of 2011.

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

1 PERFORMANCE SUMMARY

Key points for the nine months 2011 compared to nine months 2010:

- Net sales of US\$94.4 million compared to US\$44.9 million
- Operating profits of US\$37.0 million compared to US\$11.4 million
- Net profit of US\$39.6 million compared to US\$6.1 million
- Total copper sold 17,596 tonnes compared to 13,592 tonnes
- Realized copper price US\$4.13/lb compared to US\$3.19/lb

Summary of operational and financial performance

		9 months ended 30 September	
		2011	2010
Cathode revenues ¹	US\$000s	65,416	—
Concentrate revenues	US\$000s	28,934	44,947
Operating profit	US\$000s	37,045	11,364
Net profit	US\$000s	39,622	16,050
Earnings per share — basic	US\$	0.25	0.11
Cathode copper produced ^{1,2}	Tonnes	12,094	—
Copper produced in concentrate	Tonnes	5,939	12,721
Total copper produced	Tonnes	18,033	12,721
Cathode copper sold ^{1,2}	Tonnes	12,077	—
Copper sold in concentrate	Tonnes	5,519	13,597
Total copper sold	Tonnes	17,596	13,597
Realized copper price	US\$/lb	4.13	3.19
Cathode cash cost (C1)	US\$/lb cathode produced	1.23	—
HMS cash cost	US\$/tonne concentrate produced	824	318
Cash and cash equivalents	US\$000s	40,469	30,411

1. Revenue and costs from production of cathode copper during the testing and commissioning phase (May — July 2011) are capitalized under IFRS. Refer to Development section, starting on page II-298.
2. Cathode produced and sold during the testing and commissioning phase are included in the table above. Refer also to Development section, starting on page II-298.

Highlights for the nine months

The Anvil Group overall performance was highlighted by the successful completion of its SX-EW Plant construction and continuing ramp up at Kinsevere. On 1 August, the SX-EW Plant was considered to be in commercial production for accounting purposes. On 24 June the Company ceased to operate its HMS Plant, therefore ceasing to produce copper in concentrate.

Anvil Group recorded a 225% increase in operating profit, driven both by an increase of its amount of copper payable as a result of substituting cathode for concentrate sales and realized copper price. Anvil Group's net profit recorded a 146% increase over the comparable period, mainly driven by its operating profit, the recognition of a gain on discontinuation of equity accounting (US\$28.8 million), partially offset by a fair value loss on Warrants (US\$5.5 million) and an unfavorable reassessment of prior tax losses.

The Anvil Group adopted IFRS as of the 1 January 2011.

Anvil also re-established its exploration capability over the period.

Operations, Development and Exploration

Kinsevere Operations

Summary of operational and financial performance

		9 months ended 30 September	
		2011	2010
Ore mined	Tonnes	°1,514,041	601,062
Waste mined	Tonnes	3,376,120	545,413
Ore processed — SX-EW	Tonnes	457,332	—
Feed grade to mill	% ASCu ¹	3.1	—
Copper recovery — SX-EW	% ASCu ¹	78.7	—
Copper cathode produced		12,094	—
Ore processed — HMS	Tonnes	133,613	215,118
Copper grade — HMS	% TCu	5.3	7.5
Copper recovery — HMS	% TCu	73.9	69.3
Concentrate produced — HMS and spirals	Tonnes	24,038	52,046
Concentrate grade — HMS and spirals	% Cu	24.7	24.4
Copper produced in concentrate — HMS and spiral	Tonnes	5,939	12,721
Cathode copper sold	Tonnes	12,077	—
Copper sold in concentrate	Tonnes	5,519	13,597
Cathode cash cost (C1)	US\$/lb cathode produced	1.23	—
HMS cash cost	US\$/tonne concentrate produced	824	318

° Acid soluble copper

For the nine months ended 30 September 2011, Group copper production totalled 18,033 tonnes, comprised of 12,094 tonnes of copper cathode (including 6,549 tonnes of pre production) from its SX-EW Plant and 5,939 tonnes of copper in concentrate.

Ramp up continued during the third quarter, albeit at a slower than anticipated rate, due to a number of issues that constrained the ramp up rate. Good progress has been made on the resolution of such issues, the most significant of which were:

- The SX-EW Plant experienced persistent problems with rectifiers and transformers during the third quarter, part of which is attributable to the quality and stability of power supplied from the grid and part of which is due to hardware faults with the units related to design

as well as storage issues. Following the purchase of two new transformers and the refurbishment of an existing spare transformer, the Anvil Group is now well positioned to manage issues associated with transformer performance. All three units are expected to be on site prior to year-end 2011.

- As the rectifier and transformer issues were resolved and the operation was able to operate at full load it became apparent that the current efficiency in the tankhouses was materially sub-optimal. The low current efficiency resulted in a lower than planned cathode plating rate, but not a loss of copper. The current efficiency problem has been found to be the result of a combination of inefficient design, construction issues and operator learning curve factors. Certain interim fixes have been implemented and a programme of retrofitting is in place which will be completed by the first quarter of 2012. Improved housekeeping and operating practices to overcome the inherent inefficiencies have in the meanwhile improved the tankhouse performance to acceptable levels and it is still anticipated that design capacity (60ktpa of copper) will be achieved before year-end.

As a consequence of the above mentioned issues, production during the third quarter was lower than anticipated. From a quality standpoint, assays received from a third party independent laboratory confirmed that the majority of cathode produced during the third quarter conformed to LME Grade A chemical specifications, however approximately 25% of bundles produced were off specification due to lead content. The increased lead content was a direct result of the disturbance of the anode surfaces during the installation of the new anode insulators. A procedural change was instigated for such installation and this had an immediate effect on copper cathode quality, with the latest site-based assays showing that production from the SX-EW Plant is on specification for lead content and all other LME elements. On 1 August 2011, the SX-EW Plant was considered to be in commercial production, though continuing its program of ramp up to design capacity. Throughout the year, mining continued on the cutback program in the central pit to expose access to ore which resulted in approximately 3.4 million tonnes of waste being mined, the majority of which was used for the raising of the embankments at the Kinsevere Stage II tailings storage facility. Cathode cash cost (C1) was higher than anticipated due primarily to lower than expected production and higher grid-power costs.

There was no operation of the HMS Plant as it was placed on care and maintenance in June 2011.

Development

Kinsevere expansion project

The Anvil Group is proceeding with a stepped development plan for the expansion of the SX-EW Plant, focused on achieving production significantly above the current design capacity of 60,000 tonnes of copper cathode per year. The first step in the development process involves ordering of long lead time capital items and in this respect, a second stripping machine has been ordered for a cost of US\$1.9 million.

The second step involves de-bottlenecking of the SX-EW Plant as part of an upgrade and optimization process that involves capital works for the installation of the second stripping machine; procurement of additional items required to enhance plant performance; a front-end engineering design study to consider an expansion of the mill-leach-CCD facility; a structured heap-leach test-work program in order to confirm heap-leach process parameters; and a metallurgical simulation that is currently under way and expected to be completed by the end of 2011 which will identify further refinements to the plant necessary to improve overall plant performance.

The next steps include expansion of the back-end of the SX-EW Plant with an additional electrowinning unit and second low-grade SX facility and an upgrade of the leaching circuit in order to provide additional copper in solution to support any back-end expansion.

Anvil has a project team focused on plant expansion, with the current effort targeted to steps one and two in order to maximize production from the existing plant.

Pre-production costs and revenue of the SX-EW Plant

		4 May 2011 to 31 July 2011
Cathode revenues	US\$'000	42,341
Cathode allocated costs	US\$'000	9,098
Net cathode contribution allocated to Capital	US\$'000	33,243
Cathode produced	Tonnes	6,549
Cathode copper sold	Tonnes	4,793

Pre-production costs and revenues of the plant during testing and commissioning from May 2011 to July 2011 were capitalized. From 1 August 2011, the plant was considered to be in commercial production according to accounting standards and thus revenues, operating costs and depreciation relating to the plant was recorded in the income statement. During the pre-production phase, the plant produced 6,549 tonnes of copper cathode, for sales of 4,793 tonnes. The revenue and the costs associated with sale of copper cathode during pre-production was a net positive contribution of US\$33.2 million.

Exploration

Kinsevere sulphides project

As reported in Anvil's latest annual information form, results from previous drilling at Kinsevere have identified a measured and indicated resource from sulphide material of 11.86 million tonnes with a total copper grade of 2.7% for approximately 317,000 tonnes of contained copper and a similar-sized inferred resource. During June, Anvil commenced drilling, the objective of which is to improve confidences and extensions of the defined sulphide Mineral Resource that is compliant with Canadian National Instrument 43-101 to allow for an evaluation of development options during the first half of 2012.

As at 30 September 2011, a total of 5,530 metres in 34 holes had been drilled, with core being logged and stored for assaying at an on site laboratory operated by an international laboratory services company and overseen by African Mining Consultants.

Kinsevere regional project

The Anvil Group continues to target the area within a 50km radius of its Kinsevere project to identify tenement acquisition opportunities. No further agreements were entered into during the quarter, however investigation of opportunities within the target area continues. On those tenements in the Kinsevere surrounds in which the Anvil Group has acquired an interest, further termite mound sampling and geochemistry programs have been carried out, with drill programs to be selected from any significant geochemical anomalies. Assay results from work carried out to date are expected to be available before year-end.

Following review of a copper anomaly identified in an area located immediately to the east of the Kinsevere Hill deposit, it has been determined that further drill testing is appropriate, in order to target the source of the anomaly at depth. A drilling program commenced in December 2011.

A reconnaissance drilling program has been completed at Likasi, located approximately 80 kilometres north-west of Kinsevere, where the Anvil Group has held an exploration property for some time. The drilling program targeted geochemical anomalies identified from a soil and termite mound sampling program undertaken in 2008. A total of 75 holes were drilled for 4,093 metres, with an average depth of 50 metres. Malachite mineralization was identified in four holes from a depth of 18 metres in the Kapolwe South prospect area and appears to be structurally controlled. Where intersected, malachite mineralization was present to the end of the hole at 85 metres and is therefore open at depth. Samples are currently being prepared prior to dispatch for analysis in South Africa. No assay results have yet been received. Further work is planned to delineate the structural zone and target additional mineralization, with further drilling to be undertaken during the 2012 dry season.

Mutoshi Project

The in-fill drilling program at Mutoshi commenced in September, with two diamond-drill rigs in operation. As at 31 October 2011, a total of 810 metres in seven holes had been completed. The in-fill drilling program, the initial phase of which involves 15,000 metres of drilling, is focused on the Mutoshi North and Mutoshi North West project areas. Data from the drilling program will be used to update the geology model for Mutoshi and to support Mineral Resource estimates at a sufficient level of confidence to enable evaluation of mining development options.

2 FINANCIAL PERFORMANCE

Group Performance

	9 months ended 30 September	
	2011	2010
	US\$'000	US\$'000
Operating Revenue	94,350	44,947
Operating Costs	57,305	33,583
Operating Profit ¹	37,045	11,364
Adjusted EBITDA ¹	34,567	10,130
Other Income	30,755	2,802
Net Profit from continuing operations	39,622	16,050

1 “Operating Profit” and “Adjusted EBITDA” are not recognised under IFRS.

The Anvil Group recorded an operating profit of US\$37.0 million for the nine months ended 30 September 2011; an increase of 226% compared to the nine months ended 30 September 2010. This was due to increase in revenue of US\$49.4 million as a result of recognition of revenues from sales of copper cathode since commencement of commercial production (1 August 2011) of 7,285 tonnes, compared to sales of copper concentrate only in the prior year. Higher revenue was also due to a 29% increase in the average realized copper price compared to the nine months ended 30 September 2010.

Net profit from continuing operations for the nine months ended 30 September 2011 was US\$39.6 million, an increase of US\$23.6 million compared to the nine months ended 30 September 2010. The increase was largely due to commencement of production of copper cathode in 2011 and a change in accounting treatment, whereby following an initial public offering by Mawson West, the Anvil Group no longer holds significant influence over its affairs and equity accounting principles are no longer applied to Anvil’s investment in Mawson West. This interest is now recorded as a non-current available-for-sale investment measured at fair value. This change in accounting treatment resulted in a mark-to-market gain of US\$28.8 million included in other income.

Kinsevere Operation

	9 months ended 30 September	
	2011	2010
	US\$'000	US\$'000
Operating Revenue	94,350	43,937
Operating (Loss)/Profit	37,071	11,099
Adjusted EBITDA ¹	51,921	22,185
Cathode Cash Cost(C1) (US\$/lb cathode produced)	1.23	—
HMS Cash Cost ¹ (US\$/tonne concentrate produced)	824	318

1 “Adjusted EBITDA”, “Cathode cash cost” and “HMS cash cost” are not recognised under IFRS.

The Kinsevere mine generated revenues from sale of copper cathode and concentrate of US\$94.3 million for the nine months ended 30 September 2011; an increase of 115% compared to the nine months ended 30 September 2010. The increase in revenues was due to sale of 12,077 tonnes of copper cathode and 5,519 tonnes of copper in concentrate in 2011, compared to sales of 13,597 tonnes of copper in concentrate for the nine months ended 30 September 2010 and a higher payable, as a percentage of the LME price, for copper cathode compared to copper in concentrate. In addition, the average realized copper price of US\$4.13 per pound of copper for the nine months ended 30 September 2011 represented a 29% increase compared to the same period of 2010. HMS cash cost increased from US\$318 million per tonne of concentrate produced in 2010 to US\$824 million per tonne of concentrate produced in 2011. This was due to increased mining costs due to a cutback program at the Kinsevere mine central pit, which resulted in additional waste being mined and immediately expensed for accounting purposes. Adjusted EBITDA for the nine months ended 30 September 2011 was US\$51.9 million compared to US\$22.2 million for nine months ended 30 September 2010.

Mutoshi Mine

	9 months ended 30 September	
	2011	2010
	<i>US\$'000</i>	<i>US\$'000</i>
Operating revenue	—	1,010
Adjusted EBITDA ¹	(1,122)	(993)

1 “Adjusted EBITDA” and “Operating cash cost” are not recognised under IFRS.

The adjusted EBITDA reflects evaluation work and care-and-maintenance costs incurred at Mutoshi.

3 BALANCE SHEET

US\$ million	30 September 2011	31 December 2010
Assets		
Cash and cash equivalents (including restricted)	41.2	64.2
Current available-for-sale investments	23.0	0.2
Other current assets	70.2	27.0
Property, plant & equipment	499.6	488.7
Other non-current assets	91.9	100.0
Assets related to discontinued operations	—	1.2
Total assets	725.9	681.3
Liabilities		
Other current liabilities	46.6	68.2
Long-term debt	41.7	36.5
Future income tax liability	9.9	10.8
Provisions	23.8	23.6
Total liabilities	122.0	139.1
Non-controlling interest	(4.2)	(2.9)
Shareholders' equity	608.1	545.1
Weighted average number of shares (for basic earnings per share) (millions)	156.8	150.3
Outstanding shares (millions)	158.0	150.3

Financial resources and liquidity*Cash and cash equivalents*

The decrease in cash and cash equivalents to US\$41.2 million as at 30 September 2011 (31 December 2010: US\$64.2 million) was due mainly to outflows for expenditure for property, plant and equipment of US\$27.8 million (net of pre-production revenues and costs capitalized), for construction of the SX-EW Plant, increases in changes in non-cash working capital of US\$52.0 million from build up of inventory stockpiles of US\$26.3 million for feed to the SX-EW Plant, increases in accounts receivable of US\$17.5 million due to copper cathode sales, and decrease in accounts payable and accrued liabilities of US\$7.8 million due to decreased construction activity. The cash outflows were funded by proceeds from issue of shares of US\$20.6 million received from the exercise by Trafigura, of six million Warrants and exercise of director and employee stock options, and cash flow from operating activities of US\$35.8 million from the commencement of production of copper cathode.

Other financial assets

The increase in other financial assets to US\$23.0 million as at 30 September 2011 (31 December 2010: US\$0.2 million) was due to the classification of the Anvil Group's shareholding in Mawson West as an equity instrument, measured at fair value. Previously, the investment met the definition of an associate and was accounted for in accordance with equity accounting principles.

Other current assets

The increase in other financial assets to US\$70.2 million as at 30 September 2011 (31 December 2010: US\$27.0 million) was due to the increase in trade receivables from the sale of copper cathode and build up of inventory stockpiles.

Borrowings

In December 2009, Anvil reached agreement with Trafigura on the terms and conditions under which Trafigura made available to Anvil the Loan Facility for the sole purpose of funding the completion of Kinsevere Stage II. The Anvil Group made its first drawdown under the Loan Facility in October 2010 and in total drew only US\$57 million (US\$42 million in fourth quarter 2010 and US\$15 million in first quarter 2011) against this Loan Facility.

As at 30 September 2011, principal outstanding under the Loan Facility was US\$43.0 million, compared to US\$57.0 million as at 30 June 2011. During the three months ended 30 September 2011, the Anvil Group repaid US\$14.0 million of principal under the Loan Facility, consisting of a US\$7.1 million scheduled repayment and US\$6.9 million accelerated repayment.

Deferred financing fees, which is offset against the Loan Facility on the balance sheet, has decreased to US\$1.3 million from US\$5.6 million as at 31 December 2010, mainly due to the acceleration of the amortization of the Loan Facility establishment fees (US\$3.3 million) arising from a reassessment of the loan redemption period.

As at 31 October 2011, outstanding principal under the Loan Facility was US\$43.0 million.

Statement of Cash Flow

	9 months ended 30 September	
	2011	2010
	<i>US\$ millions</i>	<i>US\$ millions</i>
Operating activities	(16.2)	8.5
Investing activities	(22.2)	(95.3)
Financing activities	<u>22.0</u>	<u>(4.1)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(16.4)</u>	<u>(90.9)</u>

Operating activities

Operating cash outflows were US\$16.2 million for the nine months ended 30 September 2011 (nine months ended 30 September 2010: inflow US\$8.5 million) due mainly to a US\$52.0 million outflow from an increase in changes in non-cash working capital as a result of a build up of inventory stockpiles for feed to the SX-EW Plant, increase in trade receivables due to invoicing of copper cathode, and a decrease in accounts payable and accrued liabilities due to a reduction in construction activities related to the SX-EW Plant. This was offset by an increase in cash flow, arising from recognition for the first time in the third quarter of 2011, of cash generated from operation of the SX-EW Plant of US\$33.0 million.

Investing activities

Investing cash outflows were US\$22.2 million for the nine months ended 30 September 2011 (nine months ended 30 September 2010: US\$95.3 million) due mainly to the cash expenditure on plant and equipment of US\$61.1 million in connection with the construction of the SX-EW Plant, offset by a net contribution of US\$33.2 million from the sale of copper cathode during the testing and commissioning period, which is recorded in property plant and equipment and payments for exploration expenditure of US\$1.0 million.

Financing activities

Financing cash inflows were US\$22.0 million for the nine months ended 30 September 2011 (nine months ended 30 September 2010: cash outflow US\$4.1 million) due mainly to the proceeds from the exercise of Warrants which occurred during the first quarter of 2011 and exercise of director and employee stock options. Net borrowings from the Loan Facility increased by US\$1.0 million due to repayment of borrowings on 30 September 2011 of US\$14 million, including accelerated repayment of US\$6.9 million, which offset drawdowns of US\$15 million in the first quarter of 2011.

Capital structure

The Anvil Group's objectives when managing capital are to:

- (a) Have sufficient capital to develop and maximize returns from the Anvil Group's mineral properties;
- (b) Continue to provide returns for shareholders; and
- (c) Maintain the Anvil Group's ability to continue as a going concern.

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

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

Gearing ratio

	As at 30 September 2011	As at 31 December 2010
	<i>US\$ million</i>	<i>US\$ million</i>
Cash and cash equivalents	40.5	56.4
Less: Total borrowings	41.7	36.5
Net (debt) / cash	(1.2)	19.9
Shareholders' equity	608.1	545.1
Gearing ratio	(0.00)	0.03

Outstanding share data

At 31 October 2011, Anvil had 158,012,886 Common Shares outstanding. In addition, there were 4,003,361 director and employee stock options outstanding with exercise prices ranging between C\$1.16 and C\$14.06 per share and 5,228,320 Warrants with an exercise price of C\$2.75 per Warrant.

4 CHARGE ON ASSETS

As at 30 September 2011, the Anvil Group had restricted cash of US\$0.8 million compared to US\$7.8 million as at 31 December 2010. The decrease in restricted cash of US\$7.0 million was due to the release of the deposits held as security for the Kinsevere Stage II project back to the Anvil Group. The security guarantees were released from restricted cash as the construction of Kinsevere Stage II is now complete.

5 CONTRACTUAL OBLIGATION AND COMMITMENT

The following table summarizes Anvil's contractual and other obligations, as at 30 September 2011.

Payments due by period (US\$ million)	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Borrowings	43.0	14.3	28.7	—	—
Environmental and mine closure liabilities	21.5	—	—	—	21.5
Capital commitments — Kinsevere	11.6	11.6	—	—	—
Exploration	8.2	8.2	—	—	—
Office operating lease	0.4	0.4	—	—	—

As at 31 October 2011, Anvil had approximately US\$51 million in cash, all of which is held on deposit with international banks and restricted cash of US\$0.7 million. Following both scheduled and accelerated repayments made under the Loan Facility during the three months ended 30 September 2011, as at 31 October 2011, outstanding principal under the Loan Facility was US\$43.0 million. Given the existing cash balance, together with proceeds expected from sales of copper cathode, the Anvil Group anticipates that it is fully funded to complete the de-bottlenecking and optimization of the SX-EW Plant and continue its exploration initiatives.

The HMS Plant ceased operation in June 2011 and as a result, corporate and operating costs are being met through proceeds from the sale of copper cathode.

There are no hedging requirements under the Loan Facility and Anvil Group copper production is currently unhedged.

6 CONTINGENT LIABILITIES

During November 2010, a group of non-governmental organisations calling itself the Canadian Association Against Impunity, comprised of three groups: Rights and Accountability in Development, the Canadian Centre for International Justice and Global Witness, lodged a class action application against Anvil in a Montréal court. The action appears to be supported by two Congolese advocacy groups: l'Association africaine de Défense des droits de l'Homme and Action Contre l'Impunité pour les Droits Humains and is based upon an incident at Kilwa in the north-east part of the Katanga province of the DRC, which occurred in 2004.

A preliminary hearing was held during April 2011 at which Anvil was unsuccessful in having the application dismissed in the first instance. In June 2011, Anvil was granted leave to appeal the decision at the preliminary hearing, with the appeal hearing scheduled to take place on 25 November 2011 and a decision announced during the first quarter of 2012.

Over the past several years, the incident and Anvil have been subject to numerous investigations and court proceedings both in and outside the DRC. No findings adverse to Anvil or any of its employees have arisen in respect of the Kilwa incident in any of the foregoing and Anvil intends to defend itself against the class action application currently before a Montréal court.

For additional information on these issues, please refer to the section entitled "Litigation", as set out in Appendix V to this circular.

7 FINANCIAL RISK MANAGEMENT

The Anvil 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 Anvil 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 Anvil Group. The Anvil 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 Anvil Board.

The Anvil 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.

(a) **Market Risk**

(i) *Foreign exchange risk*

The Anvil 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 Anvil Group's functional currency.

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

During 2011 the Anvil Group transacted two forward exchange contracts with BNP Paribas between AS\$ and USD for AS\$US\$812,123 and AS\$US\$511,096 at AS\$/USD exchange rates 0.8835 and 0.8800 respectively, which expired on 25 January 2011 and 25 February 2011 respectively.

(ii) *Commodity price risk*

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

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

As at 30 September 2011, the Anvil Group had no outstanding derivative instruments in relation to the copper price risk and provisional copper cathode sale contracts of 2,828 tonnes of payable copper with an average provisional price of US\$8,260 per tonne.

(iii) *Interest rate risk*

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

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

The Anvil Group's long-term debt relates to the Loan Facility that bears interest at a fixed margin over the three-month USD LIBOR and its interest rate risk is entirely related to the volatility of the LIBOR over the life of the debt. As at 30 September 2011 the principal amount of long-term debt was US\$43 million (31 December 2010: US\$42 million).

The Anvil Group's current policy is to invest excess cash in short-term deposits with major international banks. The Anvil Group periodically monitors the cash deposits it makes and is satisfied with the credit rating of its banks. As at 30 September 2011 the cash and short-term deposits were US\$40.5 million (31 December 2010: US\$56.4 million).

(b) Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Anvil 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 Anvil Group's maximum exposure to credit risk at the reporting date is the carrying value of receivables, cash and cash equivalents.

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Anvil Group. The Anvil Group believes that its maximum exposure to credit risk as at 30 September 2011 and 31 December 2010 is the carrying value of its trade receivables.

Copper cathode produced at the Kinsevere mine is sold to Trafigura. Provisional payments are normally received within ten days of delivery, with majority of final settlement within 70 days following the date of shipment.

(c) Liquidity risk

As at 30 September 2011 Anvil had US\$40.5 million in cash (31 December 2010: US\$56.4 million), US\$33.4 million in trade receivables (31 December 2010: US\$13.0 million) and US\$41.7million in long-term debt (31 December 2010: US\$36.5 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 Anvil Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 30 September 2011 nil (31 December 2010 US\$58.0 million) of the commitment available under the Loan Facility remained undrawn.

8 HUMAN RESOURCES

As at 30 September 2011, the Anvil Group employed a total of 561 full-time employees in its operations (not including contractors of the Anvil Group) of which 22 were based in Australia, 6 in South Africa, 531 in the DRC and 2 in Canada. Total staff costs for the Anvil Group, including director's emoluments amounted to US\$28.8 million (2009: US\$13.9 million).

The Anvil Group has adopted remuneration policies in line with market practice and remunerated its employees on the responsibilities of their role, their performance and the performance of the Anvil Group. Other employee benefits include performance related incentives and, in specific cases, insurance and medical coverage. Training is offered to employees across the Anvil Group, including an intensive supervisory/management programme for DRC Staff, which is designed to improve individual and group performance.

9 OUTLOOK

Market Conditions and Group Outlook

The copper price has been weaker since the end of the second quarter, falling to a low of around US\$3.00/lb, the lowest price recorded in over 12 months, before recovering during October. Despite the recent weakness, the Anvil Group subscribes to the consensus view that both the copper market fundamentals and analysts' forecasts indicate a favourable copper price environment is expected to remain in place for the short to medium-term.

Rectification of issues that resulted in lower-than-expected production during the third quarter appears to have been effective, with production of copper cathode in October totaling 4,022 tonnes. Progress in resolution of current efficiency issues at the tankhouse and with work on the optimization of plant performance continuing, Anvil expects that design capacity will be achieved prior to year-end.

As previously reported, the Anvil Group re-established its exploration capability during the first quarter and continues to target the area around the Kinsevere mine, drilling of the sulphides at Kinsevere and in-fill drilling at Mutoshi. Exploration cash expenditure for the 2011 year-to-date is approximately US\$2.3 million, and the Anvil Group estimates that total exploration spending for 2011 will be less than previously announced, due to delays in contractor mobilization and drill-rig availability which resulted in later-than-expected commencement of work at both Kinsevere and Mutoshi.

Owing to plant performance being below expectations during the three months ended 30 September 2011, Anvil has revised its 2011 forecast copper production. Year-to-date production as at 31 October 2011 totalled 22,055 tonnes and with improved performance in October and design capacity expected to be achieved during December 2011, Anvil now forecasts total copper production for 2011 of 30,000 to 31,000 tonnes of copper, down from previous 2011 copper production guidance of 36,000 to 38,000 tonnes.

Takeover offer by Minmetals Resources Limited

In August, Anvil announced that it had been informed by its largest shareholder, Trafigura, that it considered its 39% ownership interest (fully diluted) in Anvil to be non-core and was considering alternatives to maximize the value thereof. In light of Trafigura's decision, the Anvil Board formed a special committee to review alternatives in order to maximize value for all shareholders and retained BMO Capital Markets to assist in this regard.

Pursuant to the strategic review process, on 29 September 2011 Anvil entered into the Support Agreement with the Company, pursuant to which the Company agreed, subject to the terms of the Support Agreement, to make an offer to purchase all Common Shares by way of a friendly take-over bid at a price of C\$8.00 per share in cash. Pursuant to the announcement of the Company dated 30 September 2011, the Offer was expected to commence on or before 21 October 2011 and would remain open for not less than 36 days. For further details of the Offer Period, please refer to the section headed "Letter from the Board — The Offer — Expiration of the Offer Period." In connection with the announcement of the Offer, Anvil has been consulting with various stakeholders in the DRC.

Social development

The Anvil Group's social development activities continue to target the area surrounding Kinsevere, with projects in a range of areas and a focus on food security. The farmers' assistance program covering 500 hectares provides support for grain farming through the provision of seed, fertilizer and training and the collection of grain, along with reimbursement of farmers for grain production. Evaluation sessions have been held in preparation for the upcoming planting season.

Further progress was made with a vegetable growing project in a number of villages surrounding Kinsevere, with produce from the project purchased by Anvil for use in its mess facilities. Education on the application of watering, the spraying of insecticides and the management of seedbeds also took place, with assistance provided to over 100 farmers. Anvil has undertaken a study of a pilot vegetable farming project using over 10 hectares of land and expects to reach a decision on this project during the fourth quarter.

Various other projects continued in the areas of education, water infrastructure, community consultations and livelihood improvements, an example of which is the purchase by Kinsevere of over 90 cubic metres of aggregate material, from Company supported rock crushing operations in surrounding villages, for use in various projects around the mine.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is an illustrative and unaudited pro forma consolidated statement of the assets and liabilities of the Enlarged Group (“**Unaudited Pro Forma Financial Information**”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition, as if it had taken place on 30 June 2011.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the acquisition been completed as at 30 June 2011 or at any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF THE ASSETS AND LIABILITIES

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2011	Unaudited consolidated statement of assets and liabilities of Anvil Group as at 30 September 2011	Pro forma adjustments					Unaudited pro-forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2011
			Other pro forma adjustments					
			US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
ASSETS								
Non-current assets								
Property, plant and equipment	1,612.0	561.2				15.0	596.6	2,784.8
Investment properties	1.8	—						1.8
Intangible assets	—	—						—
Investments in subsidiaries	—	—	1,330.0				(1,330.0)	—
Inventories	31.3	16.8						48.1
Trade and other receivables	—	13.6						13.6
Deferred income tax assets	72.0	—						72.0
Other financial assets	—	23.0						23.0
Goodwill	—	—					298.4	298.4
Restricted cash	—	0.5						0.5
	<u>1,717.1</u>	<u>615.1</u>						<u>3,242.2</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Pro forma adjustments							Unaudited pro-forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2011	
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2011	Unaudited consolidated statement of assets and liabilities of Anvil Group as at 30 September 2011	Other pro forma adjustments						US\$ million
			US\$	US\$	US\$	US\$	US\$		
			million	million	million	million	million		
Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7			
Current assets									
Inventories	257.3	36.7						294.0	
Trade and other receivables	88.6	33.4				40.0		162.0	
Other financial assets	—	—						—	
Cash and cash equivalents	431.2	40.7	(1,030.0)	10.1		(55.0)		(603.0)	
	<u>777.1</u>	<u>110.8</u>						<u>(147.0)</u>	
Assets of disposal group classified as held for sale	1,202.3	—						1,202.3	
	<u>1,979.4</u>	<u>110.8</u>						<u>1,055.3</u>	
Total assets	<u><u>3,696.5</u></u>	<u><u>725.9</u></u>						<u><u>4,297.5</u></u>	
LIABILITIES									
Non-current liabilities									
Deferred income tax liabilities	7.7	9.9					179.0	196.6	
Borrowings	312.4	27.9						340.3	
Provisions	339.4	21.6						361.0	
	<u>659.5</u>	<u>59.4</u>						<u>897.9</u>	
Current liabilities									
Trade and other payables	152.8	21.7				8.4		182.9	
Derivative financial instruments	—	24.9						24.9	
Current income tax liabilities	93.8	—						93.8	
Borrowings	778.0	13.8	300.0					1,091.8	
Provisions	56.6	2.2						58.8	
	<u>1,081.2</u>	<u>62.7</u>						<u>1,452.2</u>	
Liabilities of disposal group classified as held for sale	525.9	—						525.9	
	<u>1,607.1</u>	<u>62.7</u>						<u>1,978.1</u>	
Total liabilities	<u><u>2,266.6</u></u>	<u><u>122.0</u></u>						<u><u>2,876.0</u></u>	

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

Notes:

- (1) The amounts are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2011, which has been published in the Company's interim report, dated 24 August 2011, on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://minmetalsresources.com>).
- (2) The amounts are derived from the unaudited balance sheet of the Anvil Group as at 30 September 2011 as set out in Appendix II to this circular. The balances have been reclassified and rounded to the nearest million to conform with the presentation format of the Group.
- (3) The adjustment represents the total cash consideration of C\$1,330.0 million (equivalent to approximately US\$1,330.0 million or HK\$10,374.0 million) for the acquisition of the entire issued share capital of the Anvil Group. The cash consideration will be satisfied by:
 - (i) net proceeds of a combination of US\$300.0 million (equivalent to approximately HK\$2,340.0 million) from an acquisition finance facility from a wholly owned subsidiary of its controlling shareholder, CMN; and
 - (ii) cash of US\$1,030.0 million (equivalent to approximately HK\$8,034.0 million) from the Company's internal resources.

The Group has generated sufficient cash and cash equivalents during the second half of 2011 from its operating activities as well as the gross cash proceeds of approximately US\$726.8 million (equivalent to approximately HK\$5,669.0 million) from the disposal of certain subsidiaries of the Group, details of which are set out in the shareholder's circular dated 12 October 2011. The majority of the proceeds have been received by 31 December 2011.

- (4) The adjustment represents the option premium of C\$10.1 million (equivalent to approximately US\$10.1 million or HK\$78.8 million) which will be received in relation to the 3,094,334 in-the-money options outstanding at the date of purchase.
- (5) The adjustment represents the estimated transaction costs of approximately US\$8.4 million (equivalent to approximately HK\$65.5 million) payable by the Group in connection with the acquisition.
- (6) On 10 February 2012, Gécamines entered into the Clarification Agreement and the Amended Lease Agreement with AMCK in connection to the Offer. Under these agreements AMCK will make payments to Gécamines in the amount of US\$55.0 million (equivalent to approximately HK\$429.0 million) comprising a commercial payment to the agreements governing the Kinsevere Mine and the Mutoshi mine and a prepayment of royalties. The adjustment represents the payment of the above amounts by Anvil in relation to the Clarification Agreement and the Amended Lease Agreement and recorded as part of the Kinsevere valuation and prepayment respectively.
- (7) The Company will apply the purchase method of accounting under HKFRS 3 (Revised) "Business Combination" for the acquisition of the Anvil Group. In applying the purchase method, the identifiable assets and liabilities assumed of the Anvil Group will be recorded on the statement of the assets and liabilities of the Enlarged Group at their fair values as at the date of Completion. Any goodwill arising from the acquisition represents the excess of the consideration over the fair values of the total identifiable net assets at the date of Completion.

For the purpose of preparation of the Unaudited Pro Forma Financial information and for illustrative purpose, the goodwill arising from the acquisition is estimated to be US\$298.4 million (equivalent to approximately HK\$2,327.5 million). The goodwill is determined as the excess of (i) the consideration of US\$1,330.0 million (equivalent to

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

approximately HK\$10,374.0 million) (represented the cash consideration) net of cash to be received in relation to the option premium of US\$10.1 million (equivalent to approximately HK\$78.8 million); and (ii) the fair values of the net identifiable assets/liabilities of the Anvil Group, as at 30 September 2011 of approximately US\$1,021.5 million (equivalent to approximately HK\$7,967.7 million). The Group has performed a preliminary review of impairment under Hong Kong Accounting Standard 36 “Impairment of Assets” regarding the goodwill and there is no indication of an impairment charge necessary for the intangible assets and goodwill.

The Company has performed an assessment of the estimated fair values of the net identifiable assets/liabilities of the Anvil Group as at 30 September 2011, which has been reviewed by the Reporting Accountant. The recognised amounts of identifiable assets acquired and liabilities assumed are summarised as follows:

	US\$ million
<u>Net assets/liabilities acquired</u>	
Property, plant and equipment (mainly represented mining property) note	1,172.8
Inventories	53.5
Trade and other receivables	87.0
Other financial assets	23.0
Cash and cash equivalents and restricted cash	(13.8)
Deferred income tax liabilities	(188.9)
Borrowings	(41.7)
Provisions	(23.8)
Trade and other payables	(21.7)
Derivative financial instruments	(24.9)
	<u>1,021.5</u>

Note: The fair value of the property, plant and equipment of Anvil Group is assessed by management using the valuation results made by an independent professional valuer as at 30 September 2011.

The fair value of the property, plant and equipment of the Anvil Group has been assessed by the Group as follows:

	US\$ million
Kinsevere valuation as at 30 September 2011	1,117.1
Mutoshi valuation	52.5
Other property, plant and equipment	<u>3.2</u>
Total fair value of property, plant and equipment	1,172.8
Book value of the Anvil Group property, plant and equipment at 30 September 2011 and payment to Gécamines (Note 6)	<u>(576.2)</u>
Total fair value uplift	<u>596.6</u>

The deferred income tax liability pro forma adjustment of US\$179.0 million (HK\$1,396.2 million) arises from the recognition of the fair value uplift on property, plant and equipment of US\$596.6 million (HK\$4,653.5 million) and is calculated at the DRC taxation rate of 30% of US\$596.6 million (HK\$4,653.5 million) to give a deferred income tax liability of US\$179.0 million (HK\$1,396.2 million).

- (8) Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of the assets and liabilities to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2011.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION TO THE DIRECTORS OF MINMETALS RESOURCES LIMITED**

We report on the unaudited pro forma financial information set out on pages III-1 to III-4 under the heading of “Unaudited Pro Forma Financial Information of the Enlarged Group” (the “**Unaudited Pro Forma Financial Information**”) in Appendix III of the circular dated 24 February 2012 (the “**Circular**”) of Minmetals Resources Limited (the “**Company**”), in connection with the proposed acquisition of Anvil Mining Limited (the “**Transaction**”) by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-4 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted consolidated statement of assets and liabilities as at 30 June 2011 as set out in the “Pro forma Financial Information” section of this circular with the unaudited interim financial information of the Company for the six months ended 30 June 2011 as set out in the 2011 interim report of the Company, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 February 2012

A COMPETENT PERSONS' REPORT AND VALUATION REPORT ON THE KINSEVERE COPPER MINE, KATANGA PROVINCE, DEMOCRATIC REPUBLIC OF CONGO

Prepared For
Minmetals Resources Limited



Report Prepared by

SRK Consulting (UK) Limited
UK04666

24 February, 2012

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A COMPETENT PERSONS' REPORT AND VALUATION REPORT ON THE KINSEVERE COPPER MINE, KATANGA PROVINCE, DEMOCRATIC REPUBLIC OF CONGO – EXECUTIVE SUMMARY

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited (“**SRK**”) is an associate company of the international group holding company, SRK Global Limited (the “**SRK Group**”). SRK has been commissioned by Minmetals Resources Limited (“**MMR**”, hereinafter also referred to as the “**Company**”) to prepare a Competent Persons’ Report (“**CPR**”) and a Valuation Report (“**VR**”) on the Kinsevere copper mine (“**Kinsevere Mine**”) of Anvil Mining Limited (“**Anvil**”) pursuant to the requirements under Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (respectively, the “**Listing Rules**” and the “**HKSE**”). Both the CPR and the VR have been consolidated into this single report (the “**CPVR**”).

Anvil is a public company (ticker AVM) listed on the Toronto Stock Exchange (“**TSX**”) and the Australian Securities Exchange (“**ASX**”) of which the principal operating asset is its 95% interest in AMCK Mining SPRL (“**AMCK**”), a joint venture with the Mining Company of Katanga SPRL (“**MCK**”) owning the remaining 5%. AMCK has a 100% interest in the Kinsevere Mine located in the Democratic Republic of Congo (“**DRC**”).

On 30 September 2011, MMR, a public company (HKSE stock code: 1208) listed on the HKSE, announced that it had entered into a support agreement with Anvil for MMR to make an all-cash recommended takeover offer to acquire all of the common shares (on a fully diluted basis) of Anvil (the “**Offer**”). The Offer, inter alia, comprises an all cash offer price of C\$8.00 per common share of Anvil for a total consideration of approximately C\$1.33bn.

This CPVR presents the following key technical information as at the Effective Date (1 October 2011):

- The Mineral Resource and Ore Reserve statements for the Kinsevere Mine reported at 1 October 2011 (the “**2011 Statements (SRK Depleted)**”) reported in accordance with the terms and definitions of the JORC Code;
- The associated Life-of-Mine plans (“**LoMps**”) and associated technical and economic parameters (“**TEPs**”) included in the LoMp for Kinsevere Mine; and
- A Chapter 18 Value for Kinsevere Mine (as defined in Section 17.2) as at 1 October 2011.



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Group Offices: Africa
 Asia
 Australia
 Europe
 North America
 South America

Certain units of measurements and technical terms defined in the JORC Code (defined below under Section 1.2) are defined in the glossaries at the end of this CPVR.

1.2 Requirement and Reporting Standard

The reporting standard adopted for the reporting of the 2011 Statements (SRK Depleted) for Kinsevere Mine is that defined by the terms and definitions given in *“The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia”*. The JORC Code is an internationally recognised reporting code as defined by the Combined Reserves International Reporting Standards Committee. SRK has been informed that this is consistent with that currently adopted by the Company in respect of Mineral Resource and Ore Reserve reporting.

The reporting standard adopted for the reporting of the Chapter 18 Value for Kinsevere Mine is the same as that used to determine the “Technical Value” for Kinsevere Mine (as defined in Section 17.2), being the *“Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports: The VALMIN Code (2005 Edition)”* (the “Valmin Code 2005”).

1.3 Reliance on SRK

The CPVR is addressed to and may be relied upon by the Company, the Directors of the Company and its advisors (defined below) in support of the Offer, specifically in respect of compliance with the Requirements. Accordingly, SRK agrees that the CPVR may be made available to and relied upon by the Company's various financial, legal and accounting advisors (the “**Advisors**”).

SRK is responsible for this CPVR and for all technical information in the circular (the “**Offer Circular**”) released by the Company in connection with the Offer and dated the same date as the publication date (the “**Publication Date**”) of this CPVR. SRK declares that it has taken all reasonable care to ensure that this CPVR and the technical information extracted here from and included in the Offer Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SRK has no obligation or undertaking to advise any person of any development in relation to the Kinsevere Mine which comes to its attention after the date of this CPVR or to review, revise or update the CPVR or opinion in respect of any such development occurring after the date of the CPVR.

The Competent Person (as defined in Chapter 18 of the Listing Rules) who has reviewed the Mineral Resources as reported by Anvil is Dr John Arthur, CEng, FGS, MIMMM, PhD, who is an employee of SRK. He is a Member of the Institute of Materials, Metals and Mining (“**IMMM**”) which is: a “*Recognised Overseas Professional Organisation*” as defined in Chapter 18 of the Listing Rules (“**RPO**”); and a Recognised Overseas Professional Organisation (“**ROPO**”) within the meaning of the JORC Code. Dr John Arthur is a mining geologist with over 20 years' experience in the mining industry and has been involved in the reporting of Mineral Resources on various properties internationally during the past five years.

The Competent Person who has reviewed the Ore Reserves as reported by Anvil is Mr John Miles, CEng, MIMMM, MSc, who is an associate of SRK. He is a Member of the IMMM which is a RPO and a ROPO. Mr John Miles is a mining engineer with over 25 years' experience in the mining industry and has been involved in the reporting of Ore Reserves on various properties internationally during the past five years.

The Competent Person and Competent Evaluator (as defined in Chapter 18 of the Listing Rules) who has overall responsibility for the CPVR is Dr Iestyn Humphreys, FIMMM, PhD, who is a corporate consultant with SRK and managing director of SRK Consulting (UK) Ltd. He is a Fellow of the IMMM which is a RPO and a ROPO. Dr Iestyn Humphreys is a corporate consultant with over 20 years' experience in the mining and metals industry and has been involved in the preparation of Competent Persons' Report comprising technical valuations on various mineral assets internationally during the past five years.

Whilst SRK has exercised all due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions. SRK's assessment of the Mineral Resources and Ore Reserves, TEP forecasts and Chapter 18 Value for Kinsevere Mine is based on information provided by the Company and Anvil throughout the course of SRK's investigations, which in turn reflect various technical-economic conditions prevailing at the date of the CPVR. In particular, the Ore Reserves, the TEPs and the Chapter 18 Value for Kinsevere Mine are based on expectations regarding the commodity prices, inflation rates and exchange rates prevailing at the Effective Date of this CPVR. These TEPs can change significantly over relatively short periods of time. Should these expectations change materially the TEPs could be materially different. This CPVR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce a margin of error. Where such errors occur, SRK does not consider them to be material.

1.4 Review Process

SRK has conducted a review (which specifically excludes independent verification by means of re-calculation) and assessment of all material technical issues likely to influence the future performance of the Kinsevere Mine and the resulting TEPs which included the following:

- Inspection visits to the Kinsevere Mine's mining and processing facilities and associated infrastructure undertaken during Q4 2011;
- Enquiry of key project and head office personnel during Q4 2011 in respect of the Kinsevere Mine, the 2011 Statements (SRK Depleted), the TEPs and other related matters;
- An examination of historical information for the financial reporting periods ended 31 December 2004 through to 31 December 2010 inclusive and for the nine month period ended 30 September 2011;
- A review of the 2010 Statements (Anvil) for the Kinsevere Mine. Whilst SRK has not re-estimated the Mineral Resources and Ore Reserves, SRK has, in its opinion, performed all necessary validation and verification procedures deemed appropriate in order to place

reliance on such information;

- Reporting of the 2011 Statements (SRK Depleted) based on depletion adjustments to the 2010 Statements (Anvil);
- An examination, review and where appropriate modification of technical studies and LoMps completed in respect of the Kinsevere Mine and all conclusions and recommendations drawn there from; and
- Determining the Chapter 18 Value for Kinsevere Mine.

SRK has also assessed the reasonableness of the macro-economic parameters and commodity price assumptions as currently assumed in the generation of certain technical-economic projections for inclusion in reporting of the 2011 Statements (SRK Depleted), the TEPs and the Chapter 18 Value.

2 OVERVIEW OF THE KINSEVERE MINE

Introduction: The Kinsevere Mine comprises an open-pit mining operation processing a copper oxide ore through a solvent extraction-electro winning ("**SX-EW**") plant (the "**SX-EW Plant**") which is currently in production build-up to nameplate capacity of 1.6Mtpa of ore milled; and 60ktpa of copper cathode production. Production statistics recorded for the financial quarter ended 30 September 2011 comprised, ore tonnage mined of 774kt, ore tonnage processed of 311kt grading 3.0%ASCu, metallurgical recovery of 86.4% to produce copper cathode of 8,718t and copper sales of 9,102tCu with a total cash operating cost per unit of cathode of US\$123/lb.

Location: The Kinsevere Mine is situated in Kipushi District, Katanga Province, the DRC and is approximately 1,555km southeast of Kinshasa, the capital city of the DRC. Located at latitude 11°22S and longitude 27°34E at an elevation of 1,200m above mean sea level ("**amsl**"), the Kinsevere Mine is some 34km north-northeast of Lubumbashi, the provincial capital of the Katanga Province and some 3.5km due east of the nearby settlement of Kalundafialo.

Title and Rights: The Kinsevere Mine is comprised of two separate Permis d'Exploitation (exploitation permits – "**PEs**"), Kinsevere (PE528) and Nambulwa (PE539) which are held by La Générale des Carrières et des Mines ("**Gécamines**"). The mining rights associated with PE528 cover the main Kinsevere Mine deposits comprising Tshifufia, Tshifufiamashi and Kinsevere Hill, and the mining rights associated with PE539 cover the Nambulwa deposits. In December 2005, AMCK concluded negotiations with Gécamines and signed a lease agreement to mine and process ore from PE528 and PE539 (the "**Lease Agreement**"). The term of the Lease Agreement is until 2024, followed by an automatic 15 year extension provided that PE528 and PE539 are also renewed for this extended term. In January 2007 Gécamines made an application to the Cadastre Minière to have PE528 extended to fully cover recently defined extensions to mineralisation and to provide space for mine infrastructure which was subsequently approved. The current LoMp assumes that processing continues until 2027 which is prior to the expected termination of the current Lease Agreement (assuming that it is automatically renewed for a further 15 year term). SRK has

been informed by Anvil that on 10 February 2012, AMCK entered into a Clarification and Amendment Agreement with Gécamines (the “**Clarification Agreement**”) and an amended and consolidated agreement relating to the lease of mining rights linked to the mining permits covering the Kinsevere and Nambulwa deposits (the “**Amended Lease Agreement**”). Under these agreements Anvil will make payments to Gécamines in the amount of US\$55m. These agreements further contain a confirmation that Anvil’s title to the Kinsevere Mine is valid and in good standing, and agreement that all claims and historic allegations of breach are cured.

Geology: The Kinsevere deposits (Tshifufia, Tshifufiamashi and Kinsevere Hill) are situated in the north-eastern part of the Central African Copperbelt, in the southern Katanga Province of the DRC. There are three zone locations within the stratigraphic column which host mineralisation within the Mine Group. These three zones are termed the Lower Orebody, the Upper Orebody and the Third Orebody.

Mineralisation in the supergene zone is composed primarily of malachite, with a significant enrichment of cuprite in some areas. The oxide ore is interpreted as a supergene blanket, which is overlying the primary, sulphide mineralisation. The oxide mineralisation appears to lack stratigraphic control, but does appear to increase towards the base of the weathering horizon. The main sulphide copper mineral is chalcopyrite, and some bornite, with secondary copper and cobalt minerals being chalcocite, and cuprite with inter-grown heterogenite. The mineralisation is stratiform, and occurs as bedding parallel, finely disseminated layers.

Ore Reserves and Mineral Resources: As at 1 October 2011, the Kinsevere Mine had Ore Reserves of approximately 25.54Mt grading 3.67%TCu and 3.00%ASCu declared at an assumed copper price of US\$175/lb. Mineral Resources are reported inclusive of Ore Reserves at an in-situ cut-off grade (“**ISCOG**”) of 0.50%TCu and comprise a total of approximately 57.46Mt grading 3.06%TCu and 1.95%ASCu which includes oxide mineralisation (approximately 28.87Mt grading 3.53%TCu and 2.78%ASCu), stockpiles (approximately 4.51Mt grading 2.14%TCu and 1.90%ASCu), and sulphide mineralisation (approximately 24.08Mt grading 2.68%TCu and 0.96%ASCu). Oxide mineralisation Measured and Indicated Mineral Resources total approximately 27.76Mt grading 3.58%TCu and 2.83%ASCu.

Mining Operations: assume open-pit mining methods using backhoe excavators in conjunction with 40t articulated dump trucks and contractor mining. The current LoMp assumes mining from three open-pits (Tshifufia, Tshifufiamashi and Kinsevere Hill) for a total tonnage mined of 52.87Mt and ore tonnage of 21.02Mt grading 3.99%TCu and 3.24%ASCu providing a stripping ratio of 1.51t_{waste}:1t_{ore}. A key consideration is ensuring dry mining conditions which in turn underlie the assumed slope angles. Accordingly a de-watering program is underway and this is currently targeting some 600l/s with excess (process plant) water subsequently discharged to the Kifumashi River.

Process Plant: The SX-EW Plant has a rated copper cathode capacity of 60ktpa and the flowsheet comprises comminution (milling in raffinate, “**MIR**”), leaching, solvent extraction, counter current decantation (“**CCD**”) and electrowinning. A key design assumption is the inclusion of milling in raffinate and direct tailings deposition without neutralisation of the contained acid. One of the primary benefits of this approach is a reduction in operating

expenditures due to reduced acid consumption. Application of the technology is however limited, specifically when considering epoxy resin lined mills as opposed to stainless steel mills. The current operations are in build-up mode which assumes that annualised nameplate capacity of 1.6Mtpa processed and 60ktpa copper cathode is achieved in Q1 2012. The average LoMp metallurgical recovery assumed is 92.14%. A portion of the stockpiled floats sourced from the historical HMS Plant is currently being processed via heap leach methods in a sectioned portion of the tailings storage facility.

Tailings Storage Facility ("TSF"): A fully lined TSF with an overall footprint of 70Ha has been constructed which is to be expanded in stages to provide a total capacity of 26Mt of dry tailings arisings.

Capital Projects: Other than the completion of the staged construction of the TSF and certain sustaining capital expenditures there are no specific capital projects associated with the depletion of the Ore Reserves. The total capital expenditure requirements amount to US\$109.5m all of which is expended up to 2024.

Environmental Liabilities: The total environmental liabilities for the Kinsevere Mine amount to a total of US\$41.1m to be expended upon closure of the Kinsevere Mine. Of this, US\$37.0m is attributed to bio-physical closure and US\$4.1m is attributed for terminal benefits liabilities.

Operating Performance: The SX-EW Plant commenced operations during May 2011, effectively one month behind schedule and is currently in build-up mode to full production. Performance to August indicated that this was broadly on plan both with respect to plant throughput and metallurgical recoveries. Notwithstanding the above, recent analysis regarding the presence of carbonaceous shale units ("**Black Shales**") within the oxide ore (a portion of which may not be economically treatable) requires the separate stockpiling of this material. This in combination with the results of recent reconciliation studies may necessitate a downwards revision in the projected oxide metal content of up to 10%. Both aspects are currently the subject of on-going investigations, the results of which will most likely be factored into the next updated Mineral Resource and Ore Reserve statements to be dated 31 December 2011.

Future Considerations at the Kinsevere Mine are focused on the following risks: the potential need to increase the dewatering abstraction rates up to 1,000l/s; increased operating expenditures and their impact on the 2011 Statements (SRK Depleted); technical assessments in respect of Black Shales and reconciliation studies both of which imply that a negative adjustment is considered likely; contingency plans in the event that milling in raffinate proves inefficient or problematic and warrant reverting to a stainless steel mill or suitable alternative.

Notwithstanding the above, SRK notes that the following opportunities warrant further investigation: operation of the existing plant at a higher current density to enable a copper cathode production rate higher than the current nameplate capacity of 60ktpa; exploitation of the sulphide mineralisation; potential expansion through simultaneous processing of lower grade stockpiled material through an expanded heap leach process facility and expanded SX-EW circuit, circa 90ktpa of copper cathode.

3 CONCLUDING REMARKS

3.1 Mineral Resources and Ore Reserves

The 2011 Statements (SRK Depleted) for Kinsevere Mine are summarised in Table ES 1 and Table ES 2 respectively. Mineral Resources of approximately 57.46Mt grading 3.06%TCu and 1.95%ASCu are reported at an in-situ cut-off grade ("ISCOG") of 0.5%TCu and Ore Reserves of approximately 25.54Mt grading 3.67%TCu and 3.00%ASCu reported at an assumed long-term copper price of USc175/lb.

Table ES 3 gives the Ore Reserve sensitivities for copper prices ranging from USc143/lb through USc300/lb inclusive.

SRK concludes that the Mineral Resources and Ore Reserves as stated herein are reported in accordance with the terms and definitions of the JORC Code. Mineral Resources are reported inclusive of Ore Reserves and all Mineral Resources and Ore Reserves include MCK's indirect 5% interest in the Kinsevere Mine arising through its shareholding in AMCK.

Table ES 1: Kinsevere Mine: Mineral Resources as at 1 October 2011

Mineral Resources	Tonnage (kt)	Grades			Content		
		(%TCu)	(%ASCu)	(%Co)	(ktTCu)	(ktASCu)	(ktCo)
Measured							
Oxide	14,428	4.17%	3.27%	0.23%	602	472	33
Sulphide	2,308	2.36%	1.11%	0.15%	55	26	3
Subtotal	16,736	3.92%	2.98%	0.22%	657	498	37
Indicated							
Oxide	13,335	2.94%	2.36%	0.09%	392	314	12
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphide	9,555	2.75%	1.08%	0.14%	263	103	14
Subtotal	27,403	2.74%	1.84%	0.09%	752	504	26
Measured+Indicated							
Oxide	27,764	3.58%	2.83%	0.16%	995	787	45
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphide	11,862	2.68%	1.09%	0.14%	317	129	17
Total	44,139	3.19%	2.27%	0.14%	1,409	1,002	62
Inferred							
Oxide	1,103	2.22%	1.54%	0.13%	24	17	1
Sulphide	12,215	2.68%	0.83%	0.13%	327	101	16
Subtotal	13,317	2.64%	0.89%	0.13%	352	118	18
Mineral Resources							
Oxide	28,866	3.53%	2.78%	0.16%	1,019	804	47
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphide	24,077	2.68%	0.96%	0.14%	645	230	33
Total	57,456	3.06%	1.95%	0.14%	1,761	1,120	80

Table ES 2: Kinsevere Mine: Ore Reserves as at 1 October 2011

Ore Reserves	Tonnage (kt)	Grades		Content	
		(%TCu)	(%ASCu)	(ktTCu)	(ktASCu)
Proved	13,633	4.28%	3.40%	583	464
Probable	11,902	2.97%	2.54%	353	302
Total	25,536	3.67%	3.00%	936	766

Table ES 3: Kinsevere Mine: Ore Reserve (excluding stockpiles) Sensitivity as at 1 October 2011

Ore Reserves	Units	Copper Price					
		143 (USc/lb)	175 (USc/lb)	225 (USc/lb)	250 (USc/lb)	275 (USc/lb)	300 (USc/lb)
Revenue Factor ("RF")		0.72	0.82	1.00	1.10	1.10	1.10
Corresponding Price for RF	(USc/lb)	102	143	225	275	303	330
Tonnage	(kt)	17,622	21,022	24,241	25,754	25,996	26,180
Grade	(%TCu)	4.35%	3.99%	3.70%	3.58%	3.55%	3.53%
Grade	(%ASCu)	3.56%	3.24%	2.96%	2.86%	2.84%	2.82%
Content	(ktTCu)	766	840	896	922	924	925
Content	(ktASCu)	627	680	718	736	737	738
Waste	(kt)	23,836	31,846	39,355	46,267	45,988	46,173
Stripping Ratio	(twaste:tore)	1.35	1.51	1.62	1.80	1.77	1.76

3.2 Chapter 18 Value

The Chapter 18 Value for Kinsevere Mine is estimated at US\$1.16bn and is presented in Table ES 4. The Chapter 18 Value for Kinsevere Mine is derived from the net present value of the post-tax pre-finance cashflows for Kinsevere Mine as determined in the Financial Model (as defined in Section 18.2) assuming consensus market forecast with a long-term price of US\$249/lb. At a discount rate of 9.30% on a real terms basis the Chapter 18 Value for Kinsevere Mine attributable to Anvil's 95% shareholding in AMCK is US\$1.10bn.

The resultant Chapter 18 Value for Kinsevere Mine expressed per unit of metal contained in the Mineral Resources is US\$30/lb of copper equivalent contained metal (CM1) and expressed as a percentage of assumed copper price (US\$300/lb: MEG) result in a value of 10.0% (CM2). When compared with other global copper transactions, this indicates values which appear in the uppermost range of recent transactions which may in part be explained by the relatively higher grade of the Kinsevere Mine and in addition the relatively low future capital expenditure requirements.

In accordance with Chapter 18 of the Listing Rules, SRK has not included any consideration of Inferred Mineral Resources in determining the Chapter 18 Value for Kinsevere Mine. The exclusion of these sources of potential value as well as the exclusion of a premium or discount related to market, strategic or other considerations means that the Chapter 18 Value does not reflect a Fair Market Value (as defined in Section 17.2).

Table ES 4: Chapter 18 Value for Kinsevere Mine (100%)

Valuation Component	Units	Valuation
Kinsevere Mine	(US\$m)	1,160.1
Exploration Assets	(US\$m)	-
Chapter 18 Value (100% Kinsevere Mine)	(US\$m)	1,160.1
Ore Reserves contained total copper	(MlbTCu)	2,064
Mineral Resources contained total copper	(MlbTCu)	3,882
Chapter 18 Value per Ore Reserve Unit	(US\$/lb)	56
Chapter 18 Value per Mineral Resource Unit	(US\$/lb)	30

3.3 Principal Risks and Opportunities

The principal technical risks and opportunities which impact both the 2011 Statements (SRK Depleted) and the Chapter 18 Value for Kinsevere Mine are summarised in Section 19.2 of this CPVR.

Specific Risks

- Potential failure of the epoxy lined shell resulting in the installation of a stainless steel mill shell or in the event of failure of MIR technology, reverting to alternative standard processing technology. Specifically, this may cause lost production over the change-over period (3 months) and subsequent increases in operating expenditures (US\$9.00/t_{milled}) and/or additional capital expenditure requirements (US\$20.0m);
- Potential reduction (-10%) in recoverable metal due to the presence of Black Shales and the results of recent reconciliation studies;
- Potential for increased dewatering requirements to ensure dry mining conditions which are necessary to maintain the assumed pit slope angles; and

- Potential settlement of the Ausenco contract claim in full without successful amelioration through consideration of the counter claims.

Specific Opportunities

- Potential operation of the existing plant at a higher current density (similar to that seen with global peers such as the Sepon mine in Laos) to enable a copper cathode production rate higher than nameplate capacity of 60ktpa;
- Potential exploitation of the defined sulphide mineralisation. To date no technical studies have been completed which demonstrate to a minimum of pre-feasibility study level on a multi-disciplinary basis, that processing of the sulphide mineralisation is both technically feasible and economically viable; and
- Potential expansion of the current Stage 2 SX-EW Plant capacity of 90ktpa of copper cathode as well as simultaneous processing of lower grade material (stockpiled or to be mined) via heap leach process technology.

For and on behalf of SRK Consulting (UK) Limited

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A COMPETENT PERSONS' REPORT AND VALUATION REPORT ON THE KINSEVERE COPPER MINE, KATANGA PROVINCE, DEMOCRATIC REPUBLIC OF CONGO

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited (“**SRK**”) is an associate company of the international group holding company, SRK Global Limited (the “**SRK Group**”). SRK has been commissioned by Minmetals Resources Limited (“**MMR**”, hereinafter also referred to as the “**Company**”) to prepare a Competent Persons’ Report (“**CPR**”) and a Valuation Report (“**VR**”) on the Kinsevere copper mine (“**Kinsevere Mine**”) of Anvil Mining Limited (“**Anvil**”) pursuant to the requirements under Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (respectively, the “**Listing Rules**” and the “**HKSE**”). Both the CPR and the VR have been consolidated into this single report (the “**CPVR**”).

Anvil is a public company (ticker AVM) listed on the Toronto Stock Exchange (“**TSX**”) and the Australian Stock Exchange (“**ASX**”) of which the principal operating asset is its 95% interest in AMCK Mining SPRL (“**AMCK**”), a joint venture with the Mining Company of Katanga SPRL (“**MCK**”) owning the remaining 5%. AMCK has a 100% interest in the Kinsevere Mine located in the Democratic Republic of Congo (“**DRC**”).

On 30 September 2011, MMR, a public company (HKSE stock code: 1208) listed on the HKSE, announced that it had entered into a support agreement with Anvil for MMR to make an all-cash recommended takeover offer to acquire all of the common shares (on a fully diluted basis) of Anvil (the “**Offer**”). The Offer, inter alia, comprises an all cash offer price of C\$8.00 per common share of Anvil for a total consideration of C\$1.33bn.

The Kinsevere Mine is comprised of two separate Permis d’Exploitation (exploitation permits – “**PEs**”), Kinsevere (PE528) and Nambulwa (PE539) which are held by La Générale des Carrières et des Mines (“**Gécamines**”). The mining rights associated with PE528 cover the main Kinsevere Mine deposits comprising Tshifufia, Tshifufiamashi and Kinsevere Hill, and the mining rights associated with PE539 cover the Nambulwa deposits. PE528 covers mineral assets in respect of which Ore Reserves (as defined in accordance with the terms and definitions of the JORC Code, which is defined below) have been declared. The Ore Reserves are supported by adequate technical studies, completed to a minimum of a pre-feasibility study (“**PFS**”) which on a multi-disciplinary basis demonstrates that their extraction is technically feasible and economically viable.



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In December 2005, AMCK concluded negotiations with Gécamines and signed a lease agreement with it to mine and process ore from PE528 and PE539 (the "**Lease Agreement**"). The term of the Lease Agreement is until 2024, followed by an automatic 15 year extension provided that PE528 and PE539 are also renewed for this extended term. In January 2007 Gécamines made an application to the Cadastre Minière to have PE528 extended to fully cover recently defined extensions to mineralisation and to provide space for mine infrastructure, which was subsequently approved. SRK has been informed by Anvil that on 10 February 2012, AMCK entered into a Clarification and Amendment Agreement with Gécamines (the "**Clarification Agreement**") and an amended and consolidated agreement relating to the lease of mining rights linked to the mining permits covering the Kinsevere and Nambulwa deposits (the "**Amended Lease Agreement**"). Under these agreements Anvil will make payments to Gécamines in the amount of US\$55m.

These payments include a commercial payment to restructure certain terms of the agreements governing the Kinsevere Mine and the Mutoshi Project and a pre-payment of royalties on normal commercial terms. Anvil will also pay a tonnage based cash payment for new copper "reserves" discovered at the Kinsevere Mine. These agreements further contain a confirmation that Anvil's title to the Kinsevere Mine is valid and in good standing, and agreement that all claims and historic allegations of breach are cured.

In addition to the above, Anvil has other mineral assets (the "**Other Mineral Assets**") comprising:

- A 70% equity interest in the Mutoshi copper/cobalt project ("**Mutoshi Project**") located in the DRC comprising the Kulumaziba River Tailings (2812) and the Mutoshi (2604) licences;
- A 100% interest in 12 exploration licences located in the DRC, specifically the "**Kalemie Accord**"; and
- An approximate 14.5% beneficial interest in Mawson West Limited ("**Mawson West**"), which was acquired following the disposal by Anvil to Mawson West of AMCK Mining Congo SARL, the holder of the Dikulushi Mining Convention and the Dikulushi copper-silver mine in the DRC.

The Company has informed SRK that the mineral assets (the "**Mineral Assets**") which comprise the focus of the CPVR are limited to the Kinsevere Mine which has established and current Mineral Resources and Ore Reserves. The Company has advised SRK that it is not appropriate to report on the Other Mineral Assets due to either their embryonic stage of development and lack of current Mineral Resources and Ore Reserves, or due to Anvil only having a minority non-controlling interest in them.

As at 1 October 2011 SRK, based on depletion adjustments alone, reports the following in respect of Kinsevere Mine:

- Ore Reserves of approximately 25.54Mt containing 766ktASCu grading 3.00%ASCu;
- Measured and Indicated Mineral Resources of approximately 44.14Mt containing 1,409ktTCu grading 3.19%TCu;

- Inferred Mineral Resources of approximately 13.32Mt containing 352ktTCu grading 2.64%TCu;

For the financial period ended 30 June 2011, Anvil reported the following key financial statistics for Kinsevere Mine: sales of US\$27,966k; operating expenses of US\$23,337k; general and administration, exploration and other expenses of US\$1,505k; and plant, property and equipment (“**PP&E**”) net book value of US\$503,281k; and capital expenditure of US\$27,672k.

For the financial quarter ended 30 September 2011, Anvil reported the following key financial statistics for Kinsevere Mine: sales of US\$66,384k; operating expenses of US\$33,942k; other expenses of US\$443k; and PP&E net book value of US\$486,158k; and capital expenditure of US\$121k.

Production statistics recorded for the financial quarter ended 30 September 2011 comprised, ore tonnage mined of 774kt, ore tonnage processed of 311kt grading 3.0%ASCu, metallurgical recovery of 86.4% to produce copper cathode of 8,718t and copper sales of 9,102tCu with a total cash operating cost per unit of cathode of US\$123/lb.

This CPVR presents the following key technical information as at the Effective Date (defined below):

- Mineral Resource and Ore Reserve statements (the “**2011 Statements (SRK Depleted)**”) reported in accordance with the terms and definitions of the JORC Code (defined below);
- The associated Life-of-Mine plans (“**LoMps**”) and associated technical and economic parameters (“**TEPs**”) included in the LoMps; and
- A Chapter 18 Value for Kinsevere Mine (as defined in Section 17.2) of AMCK as at 1 October 2011.

Certain units of measurements and technical terms defined in the JORC Code (defined below under Section 1.2.2) are defined in the glossaries at the end of this CPVR.

1.2 Reporting Compliance, Reporting Standard and Reliance

1.2.1 Reporting Compliance

SRK has been informed that the Company is required to comply with the following requirements which together comprise the “**Requirements**”:

- Chapter 18 of the Listing Rules (“**Chapter 18**”) including:
 - Listing Rules 18.09 through 18.13 inclusive, relating to relevant notifiable transactions involving the acquisition or disposal of mineral or petroleum assets,
 - Listing Rules 18.18, 18.19, 18.21, 18.22, 18.23, 18.24, 18.25, 18.26 and 18.30, relating to statements on Mineral Resources and Ore Reserves,
 - Listing Rules 18.28, 18.29 and 18.34, relating to the applicable reporting standard; and
- Guidance Note 7 to the Listing Rules, titled, “Suggested Risk Assessment for Mineral Companies”.

1.2.2 Reporting Standard

The reporting standard adopted for the reporting of the 2011 Statements (SRK Depleted) for Kinsevere Mine is that defined by the terms and definitions given in *“The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia”*. The JORC Code is an internationally recognised reporting code as defined by the Combined Reserves International Reporting Standards Committee. SRK has been informed that the JORC Code is currently adopted by the Company in respect of Mineral Resource and Ore Reserve reporting.

The reporting standard adopted for the reporting of the Chapter 18 Value for Kinsevere Mine is the same as that used to determine the “Technical Value” (as defined in Section 17.2), being the *“Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports: The VALMIN Code (2005 Edition)”*, (the “Valmin Code 2005”).

1.2.3 Reliance on SRK

The CPVR is addressed to and may be relied upon by the Company, the Directors of the Company and its Advisors (defined below) in support of the Offer, specifically in respect of compliance with the Requirements. Accordingly, SRK agrees that the CPVR may be made available to and relied upon by the Company's various financial, legal and accounting advisors (the “Advisors”).

SRK is responsible for this CPVR and for all of the technical information in the circular released by the Company in connection with the Offer and dated the same date as the CPVR (the “Offer Circular”) that has been extracted directly from this CPVR. SRK declares that it has taken all reasonable care to ensure that this CPVR and the technical information extracted herefrom and included in the Offer Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SRK confirms that the presentation of information contained elsewhere in the Offer Circular which relates to information in the CPVR is accurate, balanced and not inconsistent with the CPVR.

SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this CPVR. The preparation of a CPVR is a complex process and does not lend itself to partial analysis or summary.

SRK has no obligation or undertaking to advise any person of any development in relation to Kinsevere Mine which comes to its attention after the date of this CPVR or to review, revise or update the CPVR or opinion in respect of any such development occurring after the date of this CPVR.

1.3 Base Technical Information Date, Effective Date and Publication Date

The effective date of the CPVR is 1 October 2011 (the “**Effective Date**”). The 2011 Statements (SRK Depleted) and the Chapter 18 Value for Kinsevere Mine have been prepared as at the Effective Date in reliance on:

- the Mineral Resource and Ore Reserve statements (the “**2010 Statements (Anvil)**”) as declared and published by Anvil in their annual report for the year ending 31 December 2010 (the “**Base Technical Information Date**”); and
- adjustments made to the 2010 Statements (Anvil) by SRK having conducted, inter alia, depletion and historical performance analyses and a review of any additional information dated after the Based Technical Information Date published by Anvil and/or provided by the Company to SRK.

As advised by the Company, as at the publication date of this CPVR (the “**Publication Date**”), no material change has occurred since the Effective Date. This includes, inter alia, no material change to the 2011 Statements (SRK Depleted) or to the Chapter 18 Value for the Kinsevere Mine.

1.4 Verification and Validation

SRK has conducted a review (which specifically excludes independent verification by means of re-calculation) and assessment of all material technical issues likely to influence the future performance of the Kinsevere Mine and the resulting TEPs which included the following:

- Inspection visits to the Kinsevere Mine's mining and processing facilities and associated infrastructure undertaken by Victor Hills and Colin Healy for a total of 5 days during the week commencing 17 October 2011;
- Enquiry of key project and head office personnel during Q4 2011 in respect of the Kinsevere Mine, the 2011 Statements (SRK Depleted), the TEPs and other related matters;
- An examination of historical information for the financial reporting periods ended 31 December 2004 through to 31 December 2010 (inclusive) and for the nine month period ended 30 September 2011;
- A review of the 2010 Statements (Anvil) for the Kinsevere Mine. Whilst SRK has not re-estimated the Mineral Resources and Ore Reserves, SRK has performed all necessary validation and verification procedures deemed appropriate in order to place reliance on such information;
- Reporting of the 2011 Statements (SRK Depleted) based on depletion adjustments to the 2010 Statements (Anvil);
- An examination, review and where appropriate modification of technical studies and LoMps completed in respect of the Kinsevere Mine and all conclusions and recommendations drawn there from; and
- A Chapter 18 Value for Kinsevere Mine.

SRK has also assessed the reasonableness of the macro-economic and commodity price assumptions as currently assumed in the projections for inclusion in the 2011 Statements (SRK Depleted), the TEPs and the Chapter 18 Value for Kinsevere Mine.

Accordingly the Company and Anvil have provided technical data to SRK for the purpose of this review and inclusion in the CPVR. SRK confirms that it has performed all necessary validation and verification procedures deemed necessary and/or appropriate by SRK in order to place an appropriate level of reliance on such technical information.

In presenting the 2011 Statements (SRK Depleted), the TEPs and the Chapter 18 Value for Kinsevere Mine in this CPVR the following apply:

- Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Ore Reserves, i.e. they are reported on an 'inclusive basis'; and
- Commodity long-term price ("LTP") assumptions of US\$175/lbCu for reporting of both Mineral Resources and Ore Reserves;
- Consensus market forecasts ("CMF") which currently projects a LTP of US\$249/lb; and
- In accordance with Chapter 18 of the Listing Rules, SRK has not included any consideration of Inferred Mineral Resources in determining the Chapter 18 Value for Kinsevere Mine. The exclusion of these sources of potential value as well as the exclusion of a premium or discount related to market, strategic or other considerations means that the Chapter 18 Value does not reflect a Fair Market Value (as defined in Section 17.2).

In addition to the above, SRK has also undertaken a number of historical technical reviews of Kinsevere Mine between 2008 and 2010 inclusive which resulted in the publication of four separate independent engineer's reports (the "IERS").

1.5 Limitations, Reliance on Information, Declaration, Consent and Cautionary Statements

1.5.1 Limitations

Ore Reserve estimates are based on many factors, including in this case, data with respect to drilling and sampling. Ore Reserves are derived from estimates of future technical factors, operating and capital expenditures, product prices and the exchange rate between the various currencies and the US\$. The Ore Reserve estimates contained in this report should not be interpreted as assurances of the economic life of Kinsevere Mine. As Ore Reserves are only estimates based on the factors and assumptions described herein, future Ore Reserve estimates may need to be revised. For example, if production costs increase or product prices decrease, a portion of the current Mineral Resources, from which the Ore Reserves are derived, may become uneconomical to recover and would therefore result in lower estimated Ore Reserves. Furthermore should any of the assumed factors change, the 2011 Statements (SRK Depleted), the TEPs and the Chapter 18 Value for Kinsevere Mine as reported herein may need to be revised and may well result in lower estimates.

The 2011 Statements (SRK Depleted), the TEPs, and the Chapter 18 Value for Kinsevere Mine include a number of forward looking statements. These forward looking statements are estimates and involve a number of risks and uncertainties that could cause actual results to differ materially.

The achievability of the projections of TEPs as included in this CPVR and incorporated into the Chapter 18 Value for Kinsevere Mine is neither warranted nor guaranteed by SRK. The projections as presented and discussed herein have been proposed by Anvil's management and adjusted where appropriate by SRK, and cannot be assured; they are necessarily based on economic assumptions, many of which are beyond the control of the Company and Anvil. Future cashflows and profits derived from such forecasts are inherently uncertain and actual results may be significantly more or less favourable.

Unless otherwise expressly stated all the opinions and conclusions expressed in this CPVR are those of SRK.

1.5.2 Reliance on Information

SRK has relied upon the accuracy and completeness of technical, financial and legal information and data:

- furnished by or through the Company, including information and data originating with the Advisors and Anvil; and
- in respect of all aspects relating to the Kinsevere Mine, publicly available information published by Anvil from time to time, including and not limited to any Mineral Resource and Ore Reserve statements and any technical studies contained in such information or data.

The Company has confirmed to SRK that, to its knowledge, the information provided by it (when provided) was complete and not incorrect or misleading in any material respect. SRK has no reason to believe that any material facts have been withheld.

Whilst SRK has exercised all due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions.

SRK's assessment of Anvil's Mineral Resources and Ore Reserves, TEP forecasts and the Chapter 18 Value for Kinsevere Mine is based on information provided by the Company and Anvil throughout the course of SRK's investigations, which in turn reflect various technical-economic conditions prevailing at the date of this report. In particular, the Ore Reserves, the TEPs and the Chapter 18 Value for Kinsevere Mine are based on expectations regarding the commodity prices and exchange rates prevailing at the Effective Date of this CPVR. These TEPs can change significantly over relatively short periods of time. Should these change materially the TEPs could be materially different in these changed circumstances.

This CPVR specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements and/or contracts that Anvil may have entered into.

This CPVR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

1.5.3 Declaration

SRK will receive a fee for the preparation of this report in accordance with normal professional consulting practice. This fee is not dependent on the findings of this CPVR and SRK will receive no other benefit for the preparation of this CPVR. SRK does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Ore Reserves, the TEPs, the Chapter 18 Value for Kinsevere Mine and the projections and assumptions included in the various technical studies completed by Anvil, opined upon by SRK and reported herein.

Neither SRK, the Competent Persons (as defined in Chapter 18 of the Listing Rules and identified under Section 1.7, below) or the Competent Evaluators (as defined in Chapter 18 of the Listing Rules and identified under Section 1.7, below) who are responsible for authoring this CPVR, nor any Directors of SRK have at the date of this report, nor have had within the previous two years, any shareholding in the Company, Anvil, the Kinsevere Mine or the Advisors of the Company, or any other economic or beneficial interest (present or contingent) in any of the assets being reported on. SRK is not a group, holding or associated company of the Company. None of SRK's partners or officers are officers or proposed officers of any group, holding or associated company of the Company. Further, no Competent Person or Competent Evaluator involved in the preparation of this CPVR is an officer, employee or proposed officer of the Company or any group, holding or associated company of the Company.

Consequently, SRK, the Competent Persons and Competent Evaluators and the Directors of SRK consider themselves to be independent of the Company, its directors, senior management and Advisors.

In this CPVR, SRK provides assurances to the Board of Directors of the Company, in compliance with the Requirements and specifically the Reporting Standard that the Ore Reserves, the TEPs, including production profiles, operating expenditures and capital expenditures of the Kinsevere Mine as provided to SRK by the Company and reviewed and, where appropriate, modified by SRK are reasonable, given the information currently available.

1.5.4 Consent

In compliance with Rule 18.13 of the Listing Rules, SRK has given and has not withdrawn its written consent to the inclusion in the Offer Circular of this CPVR as set out in Appendix IV of the Offer Circular and all of the information contained in the Offer Circular which has been extracted directly from this CPVR.

1.5.5 Disclaimers and Cautionary Statements for US Investors

This CPVR uses the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource". U.S. investors and shareholders in the Company are advised that while such terms are recognised and permitted under JORC Code and Listing Rules, the U.S. Securities and Exchange Commission ("**SEC**") does not recognise them and strictly prohibits companies from including such terms in SEC filings.

Accordingly U.S. investors and shareholders in the Company are cautioned not to assume that any unmodified part of the Mineral Resources in these categories will ever be converted into Ore Reserves as such term is used in this CPVR.

1.6 Indemnities provided by the Company

The Company has provided the following indemnities to SRK:

- In the event that the Company discloses or distributes any SRK work product or other deliverable (including reports, results, analysis, opinion or similar) (the “**SRK Work Products**”) to any third party, the Company shall procure that such third party complies mutatis mutandis with various of the Company's obligations to SRK that are contained in the engagement letter between the Company and SRK and unless otherwise agreed in writing by SRK, no such third party shall be entitled to place reliance upon any information, warranties or representations which may be contained within the SRK Work Products and the Company shall indemnify SRK against all and any claims, losses and costs which may be incurred by SRK arising from the breach by the Company of this obligation. This indemnity shall not apply in relation to the provision by the Company of drafts of this CPVR to the Advisors and the HKSE and in relation to, or following, the public release of this CPVR in the Offer Circular; and
- In order to assist SRK in the preparation of this CPVR the Company may be required to receive and process information or documents containing personal information in relation to SRK's project personnel. The Company has agreed to comply strictly with the provisions of the Data Protection Act 1998 of the United Kingdom (“**DPA 1998**”) and all regulations and statutory instruments arising from the DPA 1998, and the Company will indemnify and keep indemnified SRK in respect of all and any claims and costs caused by breaches of the DPA 1998.

1.7 Qualifications of Consultants, Competent Persons and Competent Evaluators

SRK is an associate company of the international group holding company SRK (Global) Limited. The SRK Group comprises over 1,300 staff, offering expertise in a wide range of resource engineering disciplines with 43 offices located on six continents. The SRK Group's independence is ensured by the fact that it holds no equity in any project. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgement issues. The SRK Group has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, Mineral Experts' Reports, Competent Persons' Reports, Mineral Resource and Ore Reserve Compliance Audits, Independent Valuation Reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. The SRK Group has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs. SRK also has specific experience in commissions of this nature.

This CPVR has been prepared based on a technical and economic review by a team of 11 consultants sourced from the SRK Group's offices in the United Kingdom over a one month period. These consultants are specialists in the fields of geology, resource and reserve estimation and classification, open-pit mining, geotechnical engineering, mineral processing, hydrogeology and hydrology, tailings management, infrastructure, environmental management and mineral asset technical valuation. Victor Hills and Colin Healy visited the site for a total of 5 days during the week commencing 17 October 2011.

- John Arthur, CEng, FGS, MIMMM, PhD – geology and Mineral Resources;
- Lucy Roberts, CP, MAusIMM, PhD – geology and Mineral Resources;
- John Miles, CEng, MSc, MIMMM – mining and Ore Reserves;
- Max Brown, FGS, Graduate Member IMMM, BSc – geotechnical engineering;
- Anthony Rex, CGeol, FGS, PhD – hydrogeology;
- Victor Hills, PrEng, MSAIMM, BEng – metallurgical processing;
- Kris Czajewski, PEng, APEG, APEGGA – tailings storage facility;
- Colin Healy, PrCPM, FA Arb – infrastructure and capital expenditure;
- Craig Watt, MIMWA, BSc, PhD – environmental;
- Iestyn Humphreys, FIMMM, AIME, PhD – technical valuation; and
- Michael Warren, MAusIMM, FAICD, BSc, MBA – CPVR review.

The Competent Person (as defined in Chapter 18 of the Listing Rules) who has reviewed the Mineral Resources as reported by Anvil is Dr John Arthur, CEng, FGS, MIMMM, PhD, who is an employee of SRK. He is a Member of the Institute of Materials, Metals and Mining (“IMMM”) which is a *“Recognised Professional Organisation”* as defined in Chapter 18 of the Listing Rules (“RPO”); and a Recognised Overseas Professional Organisation (“ROPO”) within the meaning of the JORC Code. Dr John Arthur is a mining geologist with over 20 years' experience in the mining industry and has been involved in the reporting of Mineral Resources on various properties internationally during the past five years.

The Competent Person who has reviewed the Ore Reserves as reported by Anvil is Mr John Miles, CEng, MIMMM, MSc, who is an associate of SRK. He is a Member of the IMMM which is a RPO and a ROPO. Mr John Miles is a mining engineer with over 25 years' experience in the mining industry and has been involved in the reporting of Ore Reserves on various properties internationally during the past five years.

The Competent Person and Competent Evaluator (as defined in Chapter 18 of the Listing Rules) who has overall responsibility for the CPVR is Dr Iestyn Humphreys, FIMMM, PhD, who is a corporate consultant with SRK and managing director of SRK Consulting (UK) Ltd. He is a Fellow of the IMMM which is a RPO and a ROPO. Dr Iestyn Humphreys is a corporate consultant with over 20 years' experience in the mining and metals industry and has been involved in the preparation of Competent Persons' Report comprising technical valuations on various mineral assets internationally during the past five years.

2 COMMODITY PRICES AND MACRO ECONOMICS

2.1 Introduction

The following section includes historical and forecast statistics to support the principal assumptions regarding commodity prices and macro-economic inputs into the 2011 Statements (SRK Depleted), the TEPs and the Chapter 18 Value for Kinsevere Mine. The information as presented herein has been sourced from various public domain information databases including internet sources.

The following section is presented for information only and should not be considered a substitute for a detailed historical and forecast demand-supply-price analysis in respect of commodity prices and economic analysis nor that analysis typically required to support forecast assumptions with respect to exchange rates and consumer price inflation.

2.2 Commodity Prices

The Company has not specifically commissioned an independent commodity market specialist to provide a detailed demand-supply-price analysis for copper or sulphuric acid. Accordingly SRK has relied upon consensus market forecasts for the short term (less than five years) annual and LTP projections. These are derived from the median of brokers' equity research forecasts and are reported in real terms as at 1 October 2011.

The CMF databases accessed by SRK provide price forecasts for the next three calendar years and a LTP for all periods beyond year five. In this instance and where appropriate SRK has made various adjustments to the CMF, specifically when extrapolating the three year forecast to the LTP.

Furthermore it is customary to consider that the LTP defined is considered appropriate in respect of supporting Ore Reserve declarations and that typically a premium to this is used to derive equivalent inputs for the reporting of Mineral Resources. In all instances SRK has derived these equivalents for copper which can then be utilised as comparisons to those currently assumed by Anvil.

With respect to consumable commodities such as sulphuric acid, only limited historical data is available and neither the Company nor Anvil has recently commissioned a demand-supply price analysis. Furthermore the local market is significantly influenced by import parity assumptions incorporated into the pricing of suppliers from South Africa as well as the Republic of Zambia ("**Zambia**").

2.2.1 Copper

Table 2-1 presents a summary of the statistical database used for derivation of the CMF for copper in real (1 October 2011) and nominal monetary terms for calendar reporting periods. Table 2-2 presents a summary of the real and nominal CMF price forecast from 2011 through 2017 inclusive. The spot closing price as indicated by the afternoon close of the London Metal Exchange ("LME") on 30 June 2011 and 30 September 2011 were US\$422/lb and US\$323/lb respectively. In the three year period to 30 September 2011 (Figure 2-1; Table 2-3), the daily closing copper price has ranged between a minimum of US\$126/lb and a

maximum of USc460/lb with a resulting average of USc312/lb which can be compared with the LTP CMF copper price of USc249/lb (Table 2-3).

Figure 2-1 presents the historical time-line series for copper prices from 1975 through 25 October 2011 inclusive in both daily nominal and monthly real (1 October 2011) monetary terms. Figure 2-1 also includes the CMF forecast in real and nominal terms commencing 1 October 2011.

Table 2-3 presents an analysis of the CMF with other benchmark prices for the calendar periods 2001 through Q3 2011, where it specifically compares the daily closing nominal price, the rolling three year daily average nominal price and the CMF-LTP in real monetary terms (1 October 2011). Specifically, SRK notes that the difference between the rolling three year daily average and the CMF has widened since 2005 and accordingly does not appear to reflect the potential impact of recent and further price increases on the LTP. Figure 2-2 presents this information graphically.

Based on the current CMF LTP, SRK notes an Ore Reserve copper price of USc249/lb which with a typical Mineral Resource premium of 30% would imply a copper price of USc324/lb. This compares with Anvil's current Ore Reserve LTP copper price assumption of USc175/lb which inclusive of an assumed premium of 30% would result in a Mineral Resource commodity price assumption of USc228/lb.

Table 2-1: Copper Price: CMF forecast analysis

Statistics Year ended 31 December	Units	2011	2012	2013	2014	2015	2016	LTP
Number of Brokers	(No)	22	23	18	16	17	15	12
Real Analysis								
High	(USc/lb)	438	451	487	413	411	375	338
Low	(USc/lb)	271	324	307	246	258	236	204
Nominal Analysis								
High	(USc/lb)	440	459	508	445	454	425	385
Low	(USc/lb)	272	330	320	265	285	267	227

Table 2-2: Copper Price: CMF forecast summary

Statistics Year ended 31 December	Units	2011	2012	2013	2014	2015	2016	LTP
CMF-Real	(USc/lb)	336	395	386	349	322	299	249
CMF-Nominal	(USc/lb)	346	416	417	386	366	349	n/a
Spot Price 30 September 2011	(USc/lb)	323						
3-year Daily average to 30 September 2011	(USc/lb)	312						

Table 2-3: Copper Price: Spot LTP premium/discount

Period	Monthly Close		3 Year Daily - Nominal			LTP-CMF	Spot-LTP
	Nominal (USc/lb)	Real (1 October 2011) (USc/lb)	Average (USc/lb)	Max (USc/lb)	Min (USc/lb)	Real (USc/lb)	Premium/(Discount) Real (1 October 2011) (%)
2001	66	85	75	91	60	104	-18%
2002	70	87	75	91	60	107	-18%
2003	105	130	74	105	60	105	24%
2004	149	177	94	149	64	107	65%
2005	208	240	126	211	70	108	121%
2006	285	321	201	399	105	131	144%
2007	303	327	265	399	139	170	92%
2008	132	142	314	408	126	208	-32%
2009	333	352	291	408	126	209	68%
2010	442	459	297	442	126	210	119%
09-2011	323	323	312	460	126	249	31%

Figure 2-1: Copper Price: historical and CMF forecast

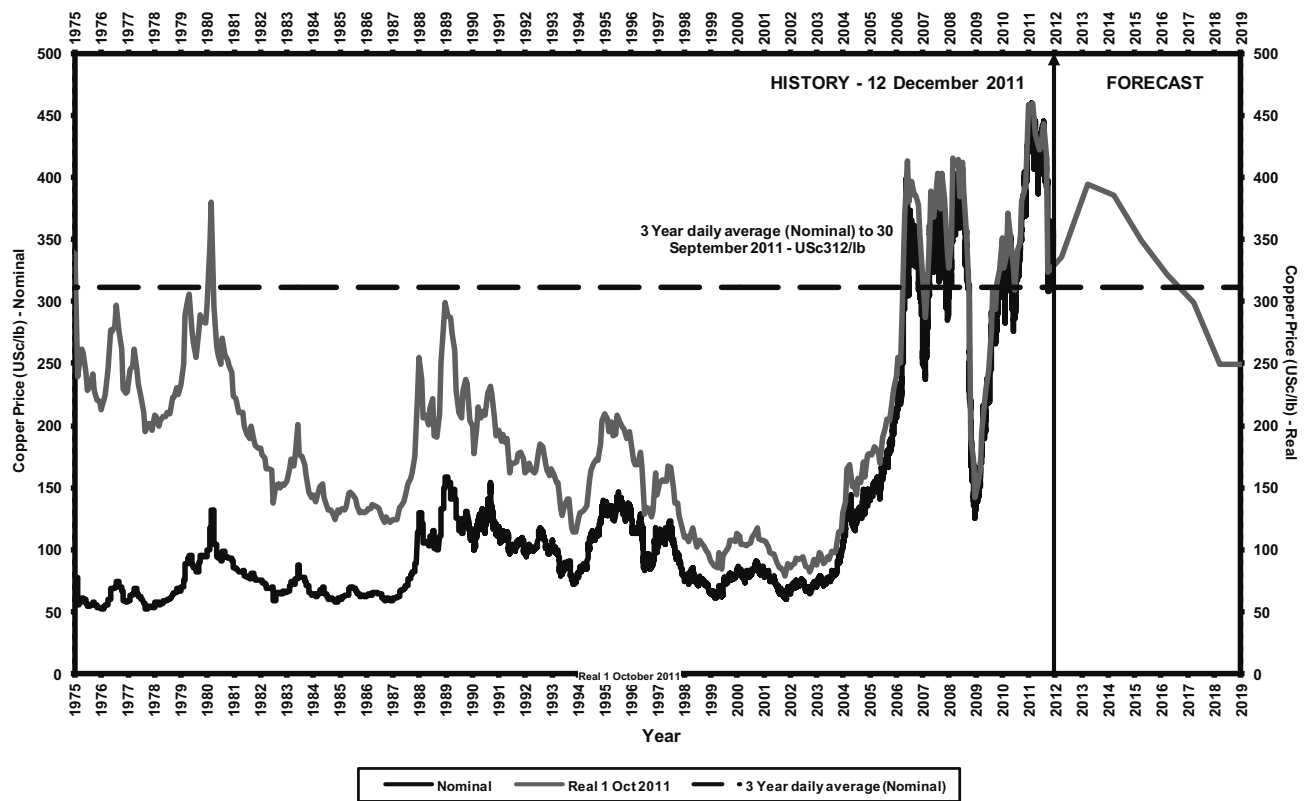


Figure 2-2: Copper Price: historical CMF analyses

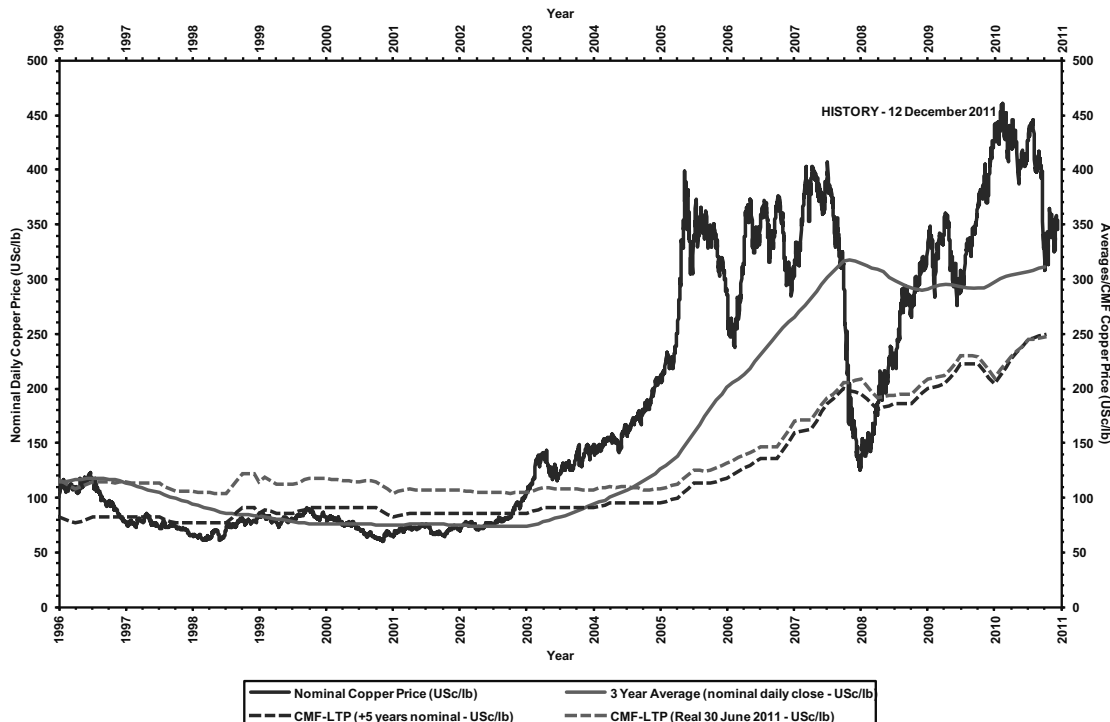
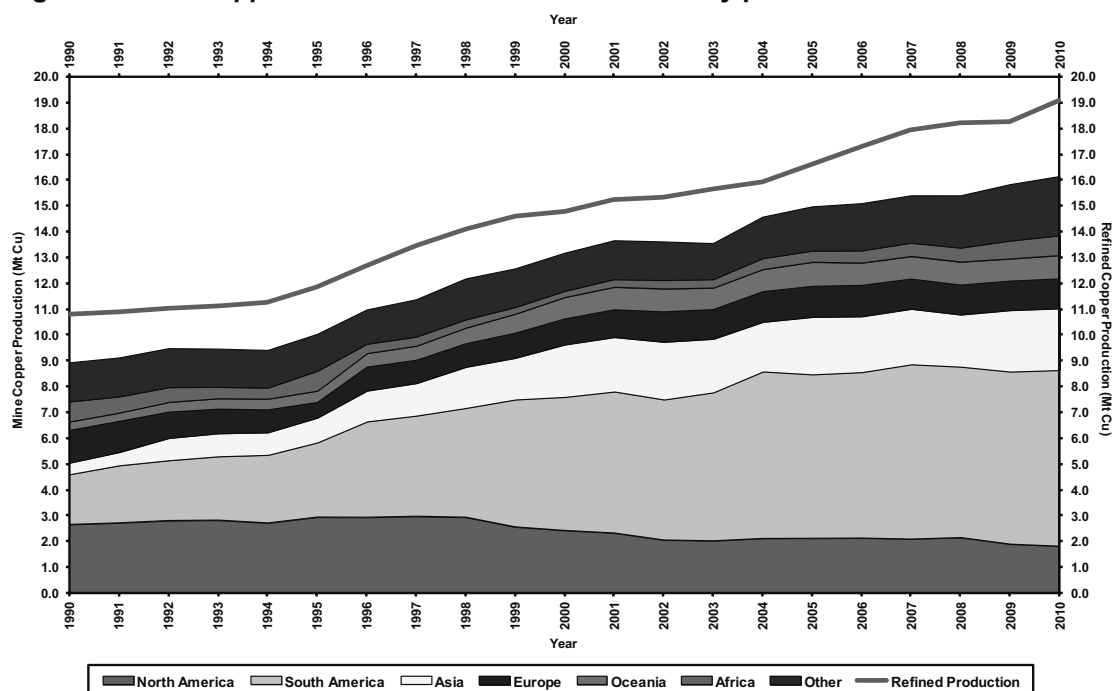


Figure 2-3 presents graphically the annual mine production from 1990 through 2010 which reflects the reducing influence of North America and the increasing contribution to global production from Asian and South American copper producers. Since 2005 annual copper production has increased by some 1Mt to 16Mt in 2010. The top seven producers by country account for some 80% of global production and this has remained relatively constant since 2006.

In 2010, mine production comprised 84% of refined production which has marginally declined from the 87% noted in 2009.

Figure 2-3: Copper Price: historical mine and refinery production



2.2.2 Sulphuric Acid

The sulphuric acid market in the Copperbelt region is heavily influenced by the demand from SX-EW producers as well as the supply from importers through South Africa, base metals smelters in the Southern African region and third party elemental sulphur burners. Accordingly a detailed sulphuric acid demand-supply-price study would need to assess the impact of not only the global sulphuric acid market with respect to demand-supply balances but also the regional aspects specifically within the DRC, Zambia and South Africa.

In 2009 Anvil reported that the Commodities Research Unit (“CRU”) provided a Long-term Sulphuric Acid (landed in the DRC) price outlook of US\$280/t at which time the spot price estimate was approximately US\$210/t.

The current assumptions incorporated into the 2010 Statements (Anvil) assume a sulphuric acid commodity input cost of US\$280/t which can be compared with the current landed price to the Kinsevere Mine of US\$430/t.

SRK notes that some of the input costs are reliant on the overall cost of elemental sulphur as well as by-product production from the refining of crude oil. Any revision to the long-term commodity prices should also take this into account.

2.3 Macro-Economics

Macro-economic forecast data such as consumer price inflation (“CPI”) and exchange rates are generally less readily available for the DRC than for developed countries. SRK has sourced historical and forecast statistics from various internet sources where the forecast information largely reflects the view of limited data sets.

Table 2-4 presents a summary of annual US CPI forecasts which lead to a long-term constant of 2.00%. This is also benchmarked against various statistical comparisons sourced from monthly data from July 2008 through September 2011 inclusive. During this period the monthly 12-month CPI has ranged between -2.53% and 3.87% resulting in an average of 1.20% and a median of 1.31%. The 12-month end of period inflation as at September 2011 was 3.87%.

Table 2-4: Consumer Price Inflation forecasts: United States

Statistics Year Ended 31 December	Units	2011	2012	2013	2014	2015	2016	2017	LT
CPI	(%)	3.00%	2.25%	2.50%	2.50%	2.75%	2.75%	2.50%	2.00%
12 month CPI (1 year period to 30 September 2011)									
EOP: June 2011 Inflation	(%)	3.87%							
- Average	(%)	1.20%							
- Median	(%)	1.31%							
- Max	(%)	3.87%							
- Min	(%)	-2.53%							

Table 2-5 presents a summary of annual DRC CPI forecasts on an end-of-period basis (31 December) which leads to a long-term constant of 13.00%. This is also benchmarked against various statistical comparisons sourced from monthly data from July 2008 through September 2011 inclusive. During this period the monthly 12-month CPI has ranged between 8.86% and 59.08% resulting in an average of 31.95% and a median of 31.99%. The 12-month end of period inflation as at September 2011 was 17.11%.

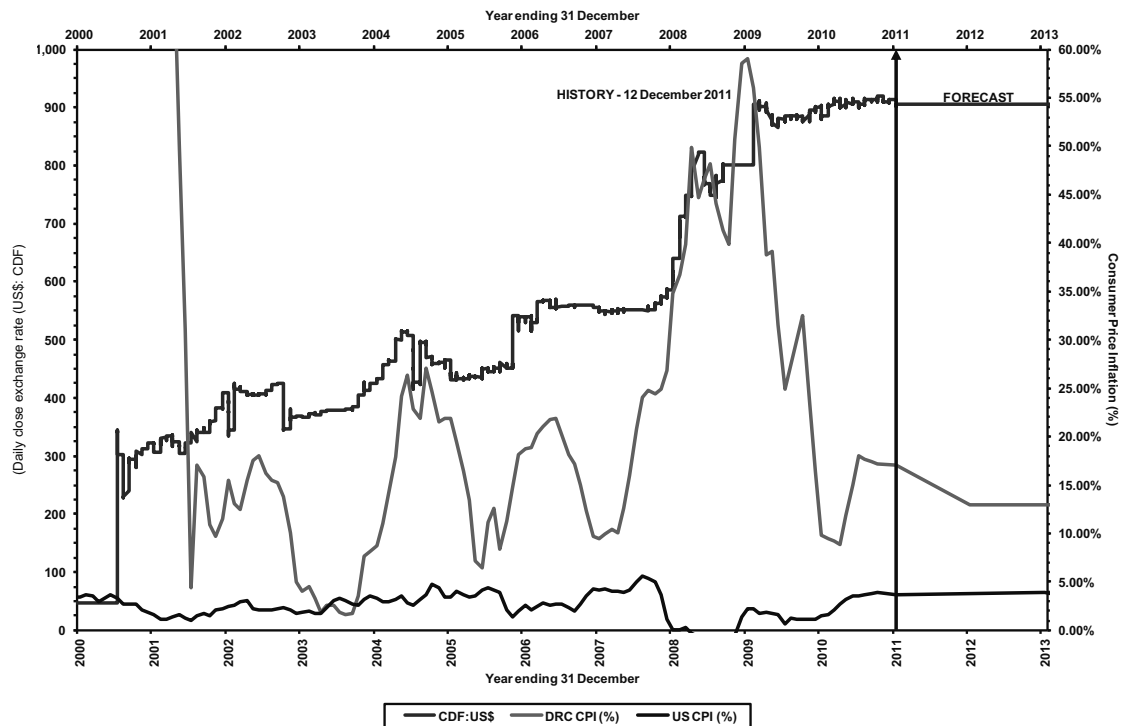
Table 2-5: Consumer Price Inflation forecasts: DRC

Statistics Year Ended 31 December	Units	2011	2012	2013	2014	2015	2016	2017	LT
CPI	(%)	17.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
12 month CPI (1 year period to 30 September 2011)									
EOP: June 2011 Inflation	(%)	17.11%							
- Average	(%)	31.95%							
- Median	(%)	31.99%							
- Max	(%)	59.08%							
- Min	(%)	8.86%							

In the three year period to 30 September 2011, the closing daily exchange rate between the CDF and the US\$ has ranged between 561 and 920 with a resulting average of 827 CDF to one US\$. The spot exchange rates as at 30 June 2011 and 30 September 2011 were 906 and 920 CDF to one US\$ respectively.

Figure 2-4 presents the historical and forecast CPI for exchange rates for the DRC and the United States, specifically CPI and exchange rates.

Figure 2-4: Macro-Economics: historical and forecast statistics



2.4 Summary Comments

SRK has relied upon CMF for copper price forecasts and various public domain sources for macro-economic forecasts to produce real and nominal commodity price forecasts. Where possible these have been compared with the three-year nominal daily average to 30 September 2011.

Based on the above analysis, SRK notes the following summary for commodity price and macro-economic assumptions as they relate to the 2011 Statements (SRK Depleted), the TEPs and the Chapter 18 Value for Kinsevere Mine:

- The LTP as derived from CMF analysis (Table 2-6) indicates US\$249/lb in real monetary terms for copper. Equating this to an assumed base for reporting of Ore Reserves and Mineral Resources results in the following benchmarks:
 - Ore Reserve copper price of US\$249/lb,
 - Mineral Resource copper price of US\$324/lb assuming a 30% premium;
- For the purpose of generating the 2010 Statements (Anvil) Anvil assumed (Table 2-6) the following:
 - For Ore Reserve reporting a copper price of US\$175/lb,
 - For Mineral Resource reporting a copper price of US\$175/lb; and

- The assumed long term CPI assumptions as noted in Table 2-7 are 2.00% (from 2019) and 13.00% (from 2012) for the United States and the DRC respectively. The forecast exchange rates are presented in real terms (base date 1 October 2011) and are assumed constant in real terms in the absence of any further detailed analysis.

Accordingly SRK notes the following principal conclusions:

- Whilst the impact of variation in commodity prices on cut-off grades can be assessed, the impact in respect of the 2011 Statements (SRK Depleted) on contained metal and average grade cannot be assessed given that this work has not been completed by Anvil; and
- Despite the potential for real terms inflationary pressure on local CDF denominated operating expenditures, SRK has been informed by Anvil that this amounts to less than 5% of the total on-mine components. As a result the impact of inflation pressure in CDF plus movements in CDF to US\$ is considered immaterial and therefore no further adjustments to the TEPs or Chapter 18 Value for Kinsevere mine are required.

Table 2-6: Commodity Price Summary Analysis: copper

Statistics	Units	Copper
Spot Price 30 June 2011	(USc/lb)	422
Spot Price 30 September 2011	(USc/lb)	323
Spot Price 25 October 2011	(USc/lb)	344
3 - Year Daily Statistics		
- min	(USc/lb)	126
- max	(USc/lb)	460
- average	(USc/lb)	312
CMF - LTP	(USc/lb)	249
CMF Analysis		
- Ore Reserves	(USc/lb)	249
- Mineral Resources	(USc/lb)	324
Anvil Assumptions		
- Ore Reserves	(USc/lb)	175
- Mineral Resources	(USc/lb)	175

Table 2-7: Commodity Price and Macro-economic forecasts

Statistics Year Ended 31 December	Units	2011	2012	2013	2014	2015	2016	LTP
Commodity Price - Real								
Copper	(USc/lb)	336	395	386	349	322	299	249
Commodity Price - Nominal								
Copper	(USc/lb)	346	416	417	386	366	349	n/a
Macro-Economics								
US CPI	(%)	3.00%	2.25%	2.50%	2.50%	2.75%	2.75%	2.50%
DRC CPI	(%)	17.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

The LTP as reflected by the Ore Reserve and Mineral Resource copper price assumptions made by Anvil of USc175/lb are low when compared to the USc249/lb as reflected by the CMF. Copper price sensitivities to both Ore Reserves and the Chapter 18 Value for Kinsevere Mine are included in Section 6.3.4 and Section 20 of this CPVR respectively.

After reviewing recently executed contracts a delivered price of US\$430/t for sulphuric acid has been included in the Chapter 18 Value for Kinsevere Mine reported in Section 20 of this CPVR.

3 COUNTRY PROFILE

3.1 Introduction

The following section includes a brief country description of the DRC which is primarily sourced from various public domain information databases.

3.2 Country Description

The DRC is the third largest country by area on the African continent. The DRC won its independence on 30 June 1960 and was renamed the Federal Republic of the Congo which was shortly thereafter renamed the DRC. In 1961, the prime minister was assassinated and following 5 years of political crises Mr. Mobutu seized power and ruled for 32 years. In October 1971, DRC changed its name to Zaire. By the 1990s the country’s economy was near complete collapse due to hyper-inflation, the political crisis, and economic dislocation. From 1996 through 1999 war involving internal and external forces dominated until a cease-fire agreement was brokered in July 1999. Since January 2001, the political and military situation has gradually stabilized and a transitional government of national unity was established on 30 June 2003. General and presidential elections were held on 28 November 2011 (the “**Recent Elections**”), although the outcome of these elections remains unclear.

Prior to the Recent Elections, Joseph Kabila was the President of the DRC having been elected in 2006. He headed a 38 party ruling coalition the ‘Alliance pour la majorité présidentielle’ (the “**AMP**”). The ‘Parti du Peuple pour la Reconstruction et le Développement’ (the “**PPDR**”), Joseph Kabila’s own party, is part of the AMP. Several smaller opposition parties exist outside the main coalition groups.

Prior to the Recent Elections, Adolphe Muzito, a member of ‘Parti Lumumbiste Unifié’ (the “**PALU**”) was the Prime Minister of the DRC having been appointed in October 2008. He is an economist and formerly held the position of Minister of Budget under former Prime Minister Antoine Gizenga.

In early 2009, the President invited into the north eastern DRC (Kivu) the Rwandan Defence Force to pursue the Rwandan rebel militia, Forces Démocratiques de Libération du Rwanda (“**FDLR**”). Notwithstanding this, bloody attacks by the FDLR on civilians continue and displacement of the population is anticipated to continue despite the arrival of the long-awaited United Nations mission reinforcements.

The DRC’s status is marked by membership of: the African Development Bank; the African Union; the International Monetary Fund, the World Bank Group; and the World Trade Organisation. The DRC is also a member of the Southern African Development Community (“**SADC**”). By World Bank measures, the DRC is grouped in Sub-Saharan Africa whose income group category is Low Income: where Gross National Income is US\$875 per capita or less.

3.2.1 Geography and Natural Resources

The DRC extends over 2.4 million km² of which 2.3 million km² is represented by land mass extending over the central African region. The DRC straddles the equator and is landlocked other than for a very narrow strip of land that contains the lower Congo River which outlets onto the South Atlantic Ocean. The DRC’s borders total 10,700km and include: the Republic

of Angola (“**Angola**”), the Republic of Burundi (“**Burundi**”), Central African Republic (“**CAR**”), the Republic of Congo (“**Congo**”), the Republic of Rwanda (“**Rwanda**”), the Republic of Sudan (“**Sudan**”), the United Republic of Tanzania (“**Tanzania**”), the Republic of Uganda (“**Uganda**”) and Zambia (Figure 3-1).

The DRC's terrain occupies a vast central basin on a low lying plateau and mountains in the east. The highest point is Pic Marguerite on Mont Ngaliema (Mount Stanley) at 5,110m above sea level and the lowest point is the coastline with the South Atlantic Ocean.

The Congo River is 4,700km long and is the second largest in the world in terms of area drained, flow, and navigable length. With its tributaries, the Congo River provides the DRC with about 14,500km of navigable waterways, and its force affords the DRC 13% of the world's hydroelectric power potential. The huge Congo Basin, a low lying, bowl-shaped plateau sloping towards the west, is covered by lush, tropical rain forests. Surrounding the basin are mountainous terraces on the west, plateaus merging into savannahs to the south and southeast, and dense grasslands towards the northwest. The high Ruwenzori Mountains bound the basin to the east.

The DRC is the largest country in Sub-Saharan Africa and whilst the country is rich in natural resources, arable land covers only 3% of the country's area, permanent pasture occupies a further 7%, and roughly three quarters of the country is forested.

The principal minerals are copper, cobalt, zinc, diamonds and columbo-tantalite (coltan). Cadmium, cassiterite (tin ore), gold, silver, wolframite (tungsten ore) and uranium (at least up to 2004) are mined on a smaller scale. Most of the base metals mining operations are concentrated in Katanga whilst the diamond operations are concentrated in the Kasai provinces. Smaller-scale production occurs in Equateur, and near Kisangani in the Orientale Province. Coltan and cassiterite have become important exports in Maniema, and North and South Kivu. Significant undeveloped gold deposits are located in the Kilomoto concessions of the Orientale Province and around Twangiza in South Kivu.

3.2.2 Population and Health

The DRC's population is currently (2010) estimated at 65.97m, the annual growth of which has reduced marginally from 3.0% in 2003 to 2.7% in 2010. Based on figures published by the World Health Organization (“**WHO**”) in 2009 the life expectancy for both sexes is estimated at 49 (global average of 68) with associated adult mortality rate of 387 (global average 176) per 1,000 and the under-5 mortality rate per 1,000 live births is 199 (global average 60).

In 2008 the distribution of years of life lost by causes compared with regional averages was: communicable diseases 82% (78%); non-communicable diseases 11% (15%); and injuries 7% (7%). Distribution of causes of deaths in children under-5 in 2008 comprised: malaria (21%); pneumonia (19%); diarrhoea (18%); other (25%); prematurity (9%); and birth asphyxia (6%).

In 2007 the HIV prevalence rates amongst adults (15-49) ranged between a low estimate of 1.2% and a high estimate of 1.5% which can be compared with a prevalence rate of 5.2% in sub-Saharan Africa. Tuberculosis prevalence in 2009 was 645 per 100,000 of population which can be compared with a regional average of 475 and a global average of 201.

3.2.3 Climate

The climate is tropically hot and humid in the lower western and central regions, with frequent heavy rains from October or November through May south of the equator and from April to June and September to October in the north, while along the equator itself there is only one season. In the cuvette, temperatures average 24°C, with high humidity and almost no seasonal variation. Annual rainfall is between 1,300mm and 2,000mm. In the northern and southern plateaus there are wet and dry seasons, with temperatures slightly cooler in the latter and annual rainfall of 1,000mm to 1,600mm. The eastern highlands have temperatures averaging 18°C and 24°C, depending on the season. Rainfall averages 1,200mm to 1,800mm.

3.2.4 Infrastructure

Transport infrastructure (Figure 3-1) has been hugely neglected since independence, and most of it is worse now than it was at independence. Road and rail networks and capacity have both shrunk over the past 48 years, and although there are more internal flights today than at independence, the country has a poor record of air safety. A significant resources-for-infrastructure deal signed between DRC and Chinese public companies could bring up to US\$3bn investments in railways, roads, power stations and health centres. Telecoms have been transformed in the past ten years. Landlines are rare or non-existent, but mobile phone coverage has grown dramatically, and is set to continue to do so.

Internet usage, however, remains very low, and this will not change until fibre optic cable replaces the current dependence on satellite communications.

The once extensive **railway system** has shrunk significantly and is mostly concentrated in Katanga, for the export of minerals via Zambia to the South African port of Durban. The total railway network extends over some 4,000km of which 3,882km (858km electrified) is narrow gauge (1.067m), and 125km is of 1.000m gauge and 1,026km is 0.600m gauge. The line between Lubumbashi and Kindu in Maniema province was severed during the civil war of the 1990s. It reopened only in 2007, but track repairs are urgently needed, and only one train runs per month. Another line links Lubumbashi to Ilebo in Kasai Occidental. At Ilebo, cargo was formerly transferred to barges which travel down the Kasai and Congo Rivers to Kinshasa, although this link now functions only sporadically. Part of the proposed Chinese loan will be used to restore the railway system, including the line from Kolwezi in Katanga to Dilolo on the border with Angola, where it will link up with the Benguela railway which runs to Lobito on the Angolan coast. The railway, which is the shortest route from Katanga to the coast, functioned during colonial times but ceased operations during the civil war. A Chinese financed project to restore the Benguela railway was due for completion in 2010/2011.

The **road network** comprises 153,497km of which only 2,794km of roads are sealed, and most are in poor condition. Barely any new road has been constructed since independence. Since 2001 the World Bank has supported a programme to rehabilitate existing major roads,

and the Government of the DRC ("**GoDRC**") hopes that Chinese money will finance further rehabilitation and expansion of the road network, including upgrading the road linking Kisangani in Orientale province with Kasumbalesa in southern Katanga, the main frontier post with Zambia.

With respect to **waterways and ports** the Congo River and its tributaries are open to navigation over long distances, although the stretch between Kinshasa and the South Atlantic Ocean is blocked by a series of rapids. There are irregular and often dangerous passenger and freight services between Kinshasa and Kisangani, for which new vessels are urgently required. There is also vigorous trade between Kinshasa and Brazzaville, which lie on opposite sides of the Congo River. The country's main port is Matadi, around 150km up the Congo River from the Atlantic. The port's infrastructure is in a state of disrepair, although this is improving slowly; administrative delays and bureaucratic obstruction remain serious obstacles to traffic. Matadi is linked to Kinshasa by rail, but the service is slow and unreliable. The 250km road between Kinshasa and Matadi is still in poor condition, despite funding from the European Union and World Bank for its repair. There is a smaller port, Boma, further down river.

Air Transport, due to the poor state of ground transport, the long distances involved and insecurity in parts of the country, is much used for both freight and passengers. The network comprises a total of 26 paved runways (four runways over 3,047m) and 172 unpaved runways (20 runways over 1,524m). However, air traffic is ineffectively regulated, aircrafts are often not airworthy, and there have been several air crashes in recent years. There are around 50 private air transport companies, most with aircrafts and air crews from the former Soviet Union. The national airline, Hewa Bora, was established through the merger of two other state companies and is a joint venture with the privately owned Congo Air Lines ("**CAL**"). Hewa Bora operates domestic flights as well as flights to Johannesburg, but has been banned from European Union airspace. Air France flies between Kinshasa and Paris, and SN Air Brussels between Kinshasa and Belgium. There are flights to a number of African destinations, including Nairobi (Kenya Airways); Addis Ababa (Ethiopian Airways); Luanda (TAAG); and Johannesburg (South African Airways). The United Nations mission in the DRC operates regular scheduled services to the major cities in the country.

Energy supply in the DRC benefits from extensive energy resources, including hydroelectric potential estimated at 100,000MW. The Inga dam alone, near the mouth of the Congo River, has a potential generating capacity of 40,000MW to 45,000MW, sufficient to supply all of Southern Africa's electricity needs. Only a fraction of this amount has been developed at Inga. In 2007 the World Bank agreed to part-finance the rehabilitation of the turbines at Inga, which have installed capacity of over 1,700MW but actual output of just 700MW, owing to years of neglect. The national power company the Société nationale d'électricité, exports hydroelectricity to its neighbour, Congo (Brazzaville), as well as to South Africa through the Southern African Power Pool. In October 2004 the electricity companies of five southern African countries (Angola, Botswana, DRC, Namibia and South Africa) launched the Western Power Corridor Project ("**Westcor**"), which aims to develop a third extension of the Inga dam, Inga III, increasing output by 4,500MW. The cost of the project was provisionally estimated at US\$4.5bn, and financing will be sought once a pre-feasibility study has been completed.

Despite the country's abundant power resources, provision of electricity to the population is poor. According to the UN Development Programme, electricity consumption per head was 92kWh in 2004, compared with 160kWh in 1990, and just 6% of the population had access to electricity. Traditional fuel as a proportion of the country's total energy use rose from 84% in 1990 to 92.5% in 2005. The DRC's proven oil reserves, estimated at 187m barrels, are concentrated in the Congo River estuary, although production has been falling since 2004.

There are also sizeable probable reserves in Lake Albert, which has caused tensions over the border demarcation with Uganda. In addition, a Brazilian company is mapping 800,000km² of the vast Central Congo Basin, the Cuvette centrale, which extends from the middle of the country all the way to Lake Albert and is believed to hold large oil deposits. The GoDRC intends to split the basin into exploration blocks in 2010.

Telecommunications: In 2009 there were estimated to be just 40,000 functioning land lines in the country, but over 10.1m mobile phones in operation. Landline use appears to be in terminal decline, but mobile phone use is growing steadily, and operators believe that there is a potential market of over 30m subscribers. There are five main operating companies: Vodacom and Celtel are the market leaders. Average revenue per user is US\$10/month to US\$15/month, similar to Nigeria. An important constraint to future growth is the absence of a national fibre optic network, or a connection to the South Atlantic-3/West Africa Submarine Cable ("**SAT-3/WASC**"), which forces operators to rely on satellites only. The 2002 telecoms law is vague on the division of powers between the national post and telecoms companies, the 'Office congolais des postes et télécommunications', and the new regulatory authority, the 'Autorité de régulation de la poste et télécommunication du Congo', resulting in a struggle between the two institutions to the detriment of the overall regulation of the sector. Among the pressing issues to be resolved are which companies should build the fibre optic network and link to SAT-3/WASC, the auctioning of the 3G (third-generation) spectrum, and overcrowding on the 900MHz frequency. There are several local internet service providers, but overall national internet usage, particularly outside the capital, is very low.

3.2.5 Political and administrative structure

The political and administrative structure in the DRC is one of a semi-presidential republic with the President elected as a chief of state. The bicameral legislature consists of a National Assembly (500 seats) and a Senate (120 seats) with members serving five-year terms. Other transition bodies include an electoral commission, a media-regulator, a truth and reconciliation commission, a national human rights watchdog, and an anti-corruption commission.

In late June 2011 the President, Joseph Kabila, signed into law a bill that limits the presidential election to one round, the 2005 constitution required two rounds if no candidate secured more than 50% in the first round. The new law also limits future presidents to one term of office only. The National Assembly passed the bill in mid-June, although opposition parties boycotted the vote in protest. In January a joint sitting of the National Assembly and Senate had approved constitutional amendments that made the new law possible.

The DRC, extending over one time zone (GMT+1), is subdivided into 25 administrative divisions termed provinces with each province further subdivided into territories.

The legal system is based on a new constitution which was adopted by referendum on 18 December 2005 which also accepts International Courts of Justice jurisdiction with certain reservations. The courts include courts of first instance, appellate courts, and a Supreme Court.

As many as 700 languages and dialects are spoken in the DRC. Serving as regional lingua franca are four African languages: Lingala is used in the north from Kisangani to Kinshasa, as well as in the armed forces, and is being deliberately promoted by the present administration; Swahili, in the Kingwana dialect, is used in the east; Kikongo in Lower Zaire; and Tshiluba in the south-central area. In addition, Lomongo is widely spoken in the cuvette. French is the official language and is widely used in government and commerce.

About 55% of the population are Roman Catholic and about 25% are Protestant. Until 1990, only three Christian churches were officially recognized denominations: the Roman Catholic Church; the Church of Christ; and the charismatic Kimbanguist Church, which claims to be the largest independent African church on the continent. Currently, there are other minority protestant groups, including Jehovah's Witnesses and the Church of Jesus Christ of Latter-Day Saints. There is a Muslim minority in the northeast, accounting for about 3%. Others adhere to syncretic sects and traditional African beliefs.

3.2.6 Economic Structure

The economic structure of the DRC is influenced by it having the third largest population and the second largest land area in Sub-Saharan Africa. It is rich in natural and human resources, including the second largest rain forest in the world, fertile soils, ample rainfall, and considerable and varied mineral resources. Historically, mining of copper, cobalt, diamonds, gold, zinc and other base metals, and petroleum extraction accounted for about 75% of total export revenues and about 25% of the country's Gross Domestic Product (“GDP”) declining to 7% in 2001. Per capita GDP in the 1980s was only a third of that in 1962, and it declined even further in the 1990s. Despite the abundance of raw material, the country's formal economy has virtually collapsed in the last few decades due to mismanagement, conflict, and instability. Following new investment, output has increased considerable and mining’s share of GDP has increased to 28.0% (2008). Accordingly overall copper production (Table 3-1) has increased to some 498ktpa (2010) from 57ktpa (2003).

Table 3-1: Primary commodity historical production

Statistics	Units	2003	2004	2005	2006	2007	2008	2009	2010
Copper Production	(kt)	57	70	98	131	129	335	309	498
Cobalt Production	(kt)	7	9	8	15	18	42	56	98
Diamond Production	(Mcts)	27	30	35	29	28	21	18	17
Electricity Generation	(BnkWhrs)	6.38	6.81	7.35	7.72	8.27	n/a	n/a	n/a
Crude Oil Production	(mbls)	8.03	7.70	7.21	7.30	8.09	7.28	8.03	7.67

After an original Memorandum of Understanding signed in September 2007, a significant US\$9bn resources-for-infrastructure collaborative agreement was signed in April 2008 between DRC and two Chinese public companies: China Railway Group Ltd and Sinohydro Corporation supported by China’s Exim Bank. The Chinese companies promised to mobilise the funds for both the development of the mines and the construction of infrastructure – including railways, roads, power stations and health centres. After IMF’s concerns about DRC’s debt sustainability, the deal was renegotiated in October 2009 and the infrastructure

part of the deal was cut in half from US\$6bn to US\$3bn. Mining operations are to be carried out by Sicominex, a joint venture between DRC's mining parastatal, Gécamines (32%) and Chinese partners (68%).

In December 2009, the IMF approved a new poverty reduction and growth facility called an extended credit facility ("ECF") worth approximately US\$550m, to be disbursed over three years. Accordingly the GoDRC's economic policy priority is to implement the economic reform programme attached to the agreed ECF. The main components of these are: implementing prudent and credible fiscal policies; reducing consumer price index ("CPI") to single figures; improving transparency in natural resource management; building up of foreign reserves; and the reform of public enterprises. The Government has taken steps to shore up the real economy, particularly the mining sector, by concluding its review of mining companies' contracts and cutting their taxes.

The DRC having reached its completion point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) on 1 July 2010, it can expect to have up to 80% of its external debt of US\$13bn cancelled. In November 2010, the representatives of the Paris Club creditor countries and Brazil met with the representatives of the Government of the DRC and agreed on a reduction of the debt of US\$7.35bn.

On 28 June 2011 the World Bank approved grants totalling US\$423m for five projects, its largest single allocation to the DRC for many years. The grants include US\$30m for the health sector, targeted mainly at vaccination coverage, and US\$63m for improving high priority roads. A project to boost government capacity has been allocated US\$40m, and US\$7m has been allocated for emergency social action, mainly micro-projects in Bas Congo province. The largest single grant US\$283m is for the development of the domestic and regional power market, apparently intended particularly to boost renewable energy supply, transmission and distribution.

The rate of exchange rate devaluation (45% of its nominal value from Q3 2008 through to Q1 2009) was significant and in an attempt to mop up liquidity, the GoDRC used IMF-sourced US\$ to purchase CDF whilst maintaining tight monetary stance with respect to prime interest rates remaining. From a close of 826 in 2009, the exchange continues to devalue (928: H1 2011) due to persistent fiscal and current-account deficit. Growing foreign-exchange reserves, stemming from savings generated by debt relief, the recovery in export earnings and higher inflows of foreign direct investment, will help to support the CDF.

The central bank has reduced the prime lending rate from 70% in Q1 2010 to 44% in Q1 2011.

Declining world oil and food prices have been more than offset by the fall in the value of the CDF, and inflation is far (26.2% in 2010) above its target range (10% to 15%). Higher agricultural production and the improved distribution of produce around the country will help to contain inflation growth, although there is a risk that if the GoDRC's finances remain in deficit it will print money to finance it, keeping the CDF weak and inflation pressures high. Emergency aid packages from international donors will help to counter the problem however CPI is forecasted at 17% in 2011, reducing to 13% in 2012.

The economy of the DRC is predominantly (>35% of DRC GDP) agricultural, and most Congolese are subsistence farmers. The monetised economy is dominated by natural resource exploitation; commercial agriculture, which was a significant part of the economy during the colonial era, has almost entirely disappeared. The services sector is dominated by retail, although the share of telecommunications is increasing steadily. However, much economic activity is unrecorded, not transparent and often fraudulent. The state has played a major role in this, having extracted rents from the economy for decades and consumed most of the proceeds, often illicitly, rather than investing them back into the economy. The result, exacerbated by the civil war of the 1990s, is that infrastructure is dilapidated and urgently in need of investment. There have been major new investments from the private sector in the last decade, mostly in mining and telecoms, and much more has been promised. Yet millions of Congolese remain excluded from the official economy and live by petty trading and a range of informal services.

Sectoral contribution to GDP (2008) at US\$11.7bn is estimated at 68.2% from the primary (agriculture and mining) sector, 16.1% from the secondary (manufacturing and construction) and 15.7% from the tertiary (wholesale and retail trade; transport and communications) sector.

Exports of US\$6.1bn in 2007 (US\$8.4bn in 2010; Table 3-3) comprise base metals (47.6%), diamonds (26.1%), crude oil (19.0%), and others (7.3%). Export partners in 2010 include China (47.3%), Zambia (22.7%), United States (10.6%) and Belgium (4.3%).

Imports of US\$5.3bn in 2007 (Table 3-3) comprise capital goods at 41.5%, consumer goods at 39.4%, energy at 15.3% and raw materials at 3.8%. Import partners in 2010 include South Africa (19.2%), China (12.5%), Belgium (9.1%) and Zambia (9.0%).

Table 3-2 gives the relative performance of the DRC compared with certain SADC countries, and other emerging markets. Table 3-3 gives an eight-year history of key economic and demographic statistics for the DRC.

Unemployment and underemployment remain serious problems for the DRC. The current (2008) labour force was estimated at 24m with the majority (75%) employed in the agriculture sector.

Economic growth for the near future will largely be dependent upon increases in agricultural output as producers and traders benefit from improvements in national infrastructure. Mining output is also assumed to be a key contributor recovering from the difficult conditions experienced in 2009. The construction sector is also likely to benefit from the public sector infrastructure investment projects and overall real GDP growth is assumed at 6.5% in 2011 and dipping slightly to 6.3% in 2012 with the slowing of mineral output growth.

Table 3-2: DRC: comparison with SADC countries and BRIC countries for 2010 excepting 2009 for CPI

Country	GDP ⁽¹⁾ (US\$bn)	GDP ⁽²⁾ (%)	GDP ⁽³⁾ (US\$/capita)	CPI ⁽⁴⁾ (%)
Angola	84.4	2.3%	5,400	13.7%
Botswana	14.9	7.2%	13,710	8.0%
DRC	13.1	7.2%	320	46.6%
Lesotho	2.1	3.3%	1,840	7.2%
Malawi	5.1	7.1%	850	8.4%
Mauritius	9.7	4.0%	13,670	2.5%
Mozambique	9.6	7.2%	920	3.3%
Namibia	12.2	4.8%	6,380	8.8%
Zambia	16.2	7.6%	1,370	13.4%
South Africa	363.7	2.8%	10,280	7.1%
Brazil	2,087.9	7.5%	10,920	4.9%
Russian Federation	1,479.8	4.0%	19,190	11.7%
India	1,729.0	9.7%	3,560	10.9%
China	5,878.6	10.3%	7,570	-0.7%

- (1) Gross Domestic Product (current US\$).
 (2) Gross Domestic Product (annual growth).
 (3) Gross National Income per capita (PPP, current international \$).
 (4) Average annual CPI for 2009.

Table 3-3: DRC: economic and demographic statistics

Statistics	Units	2003	2004	2005	2006	2007	2008	2009	2010
Economy									
GDP - annual (current US\$)	(US\$bn)	5.67	6.57	7.10	8.54	9.98	11.67	11.20	13.15
GDP - annual growth	(%)	5.79%	6.64%	6.46%	5.08%	6.26%	6.20%	2.83%	7.24%
GNI per capita, PPP (current)	(US\$/capita)	230	240	260	270	300	290	300	320
Exports (FOB)	(US\$bn)	1.34	1.81	2.07	2.93	6.14	6.59	4.37	8.35
Imports (FOB)	(US\$bn)	1.22	1.75	2.47	2.89	5.26	6.71	4.95	7.83
Current-account balance	(US\$bn)	-0.11	-0.16	-0.76	-0.18	-0.15	-1.84	-1.17	-0.90
Official reserves excl. gold	(US\$bn)	0.09	0.23	0.13	0.15	0.18	0.07	1.00	1.30
External Debt	(US\$bn)	11.3	11.4	10.6	11.2	12.4	12.2	12.2	n/a
Exchange Rate	(US\$:CDF)	366	433	431	540	550	640	788	915
Inflation									
CPI	(%)	4.0%	8.8%	21.8%	18.7%	9.5%	34.8%	59.1%	9.8%
Demographics									
Population	(millions)	54.10	55.75	57.42	59.09	60.77	62.47	64.20	65.97
Population growth - annual	(%)	3.0%	3.1%	3.0%	2.9%	2.8%	2.8%	2.8%	2.7%

3.2.7 Risk Ranking

Based on the international composite risk ranking with 100 relating to the highest score corresponding to the lowest risk, the DRCs risk ranking improved marginally from 47.5 in 2005 to 52.0 in 2008. This improvement is also noted in the comparative assessment for Zambia which similarly improved from 60.5 in 2005 to 66.0 in 2008. In 2009 however the risk ranking for the DRC reduced significantly to 43.5 reversing the improvements noted earlier, but rebounding to 48.5 by 30 June 2011. This is in marked contrast to the assessment for the United States which has declined from a high of 84.5 in 1999 to 76.0 by 30 June 2011.

3.3 Regulatory Environment

In June 2007 the Government launched a review of 63 contracts entered into between mining parastatals and international companies during the civil war (1997-2003). The GoDRC published its review of existing contracts, and later said that it would begin to negotiate amended contracts with companies in closed meetings specifically excluding representatives of donors or the World Bank.

The International Chamber of Commerce in the French capital, Paris, is considering the dispute between the Government and First Quantum Minerals Limited (“**FQML**”), over the cancellation of FQML’s contract to develop the copper-cobalt Kingamyambo Musonoi Tailings (“**KMT**”) project. FQML’s co-complainants are its minority partners in KMT, South Africa’s

Industrial Development Corporation (“**IDC**”) and the World Bank’s International Finance Corporation (“**IFC**”). Raising the stakes, the IFC has suspended all of its projects in the DRC until the KMT dispute is resolved.

The SEC had been due in April to publish rules and regulations relating to the “Dodd-Frank Act”, which became law in July 2010, but postponed their release, first until August and subsequently until at least December 2012. A short section of this lengthy act deals with Congolese conflict minerals, requiring that companies listed on US stock exchanges carry out due diligence to ensure that they are not funding conflict in the DRC through their purchases of minerals or products derived from them, and that they publish the nature of their due diligence. A reported US\$100m has already been spent by interested parties on lobbying the SEC about the Dodd-Frank regulations, mostly concerning their provisions for Wall Street, but also for conflict minerals, and there is increasing talk of legal challenges. Among the lobbyists are the DRC Government, the International Conference on the Great Lakes Region (a grouping of the DRC and ten neighbouring states), the Organisation for Economic Co-operation and Development (the “**OECD**”) and the UN Group of Experts on the DRC, which have all recently written to the SEC, requesting that its regulations are made consistent with the due diligence guidelines already published by the latter two bodies.

All details in respect of the following items: mining and exploration licensing; surface rights; environmental regulations; labour legislation; and taxation; are included in the section headed “**Legal Regulatory Regime in which the Anvil Group Operates**” of the Offer Circular and accordingly are not repeated herein.

3.4 Summary Comments

In summary SRK notes the following:

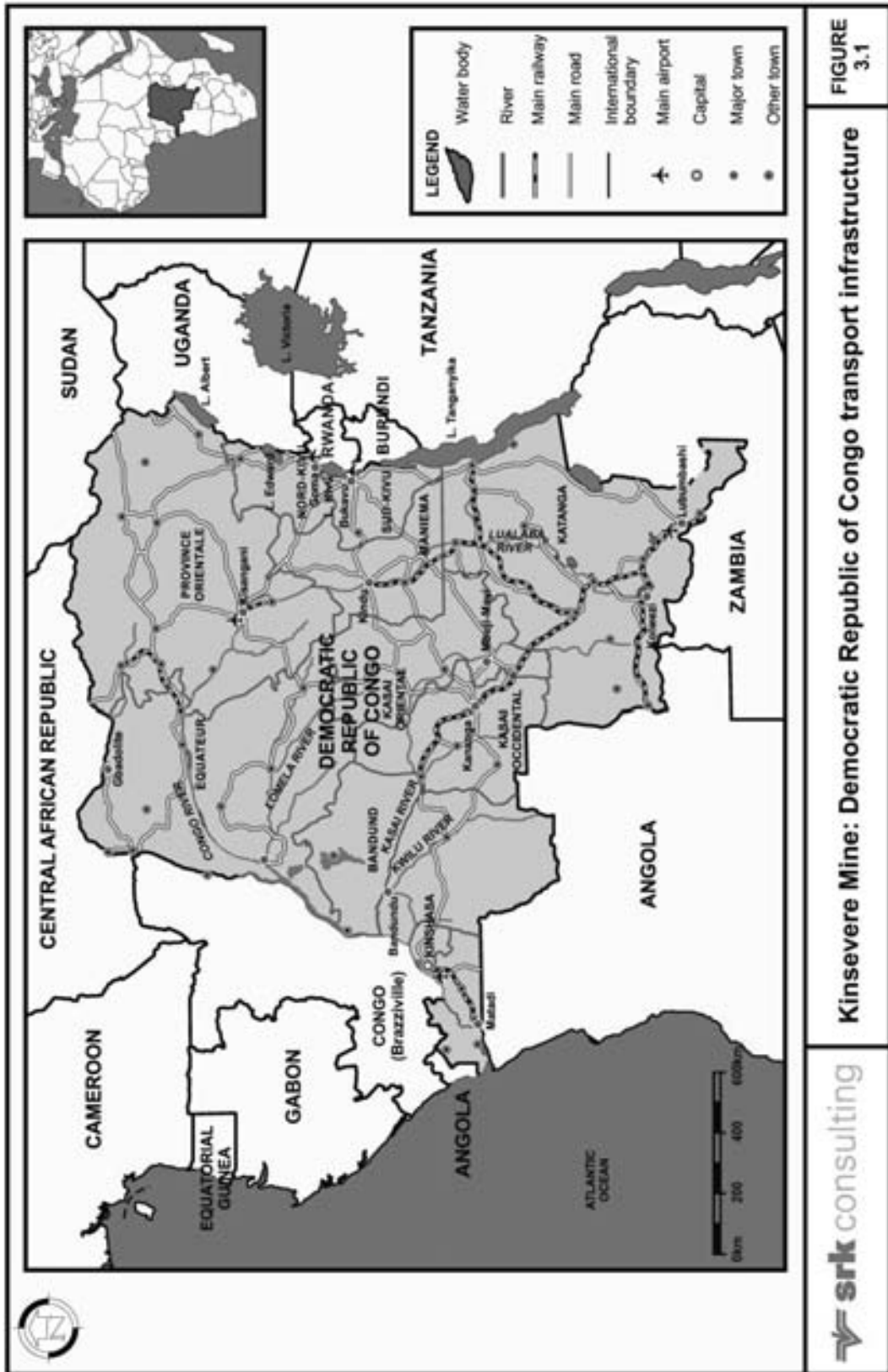
- **Economic environment:** GDP to date has grown at a rate of some 6.0% real per annum since 2004, declining in 2009 to 2.8% due to the impact of the worldwide economic downturn. Over the same period exports have increased threefold, peaking in 2008 (US\$6.6bn) and reducing in 2009 (US\$4.4bn). This decline was however short lived and in 2010 GDP has grown by 7.2% with exports similarly increasing to US\$8.4bn. Inflationary pressures continue with the trend increasing substantially single figures in 2007 to in excess of 50% in 2009. Annual inflation, which stood at 56% in January 2010, fell steadily through the year to around 9.5% in January 2011. Since then, however, it has risen steadily, to more than 18% in June, driven mainly by food price inflation and higher oil prices. However, improved agricultural production and better distribution of produce around the country may help to contain inflation during the short-term, as will the more stable exchange rate, which will limit imported inflation. CPI is assumed to fall to around 17% in 2011 and 13% in 2012; and
- **Legislative environment:** The DRC Mining Code 2002 has incorporated various conditions typical of international mining legislation. Prior to and subsequent to the establishment of the MR 2003, parastatal and international companies entered into specific mining contracts for each specific Exploitation Licence. The governmental review is now complete, bar certain notable cases, specifically FQML.

Anvil has now concluded negotiations with Gécamines and the GoDRC on the Lease

Agreement and Anvil has copies of signed minutes of the meetings held with Gécamines and GoDRC officials during which they renegotiated commercial terms and conditions were agreed. The minutes were approved by the Gécamines board and were officially signed by the Minister of Mines in January 2009. The salient features of the revised Lease Agreement comprise:

- An increase in the 'Pas de Porte' to US\$20m with US\$5m already paid and US\$10m payable at the completion of the US\$150m financing or within 6 months of signing with the remaining US\$5m payable after 12 months thereafter,
- An increase in the Gécamines royalty to 2.5% of gross turnover.

Further, under the Clarification Agreement and the Amended Lease Agreement, US\$12.5m of the royalty pre-payment was paid by AMCK at signing of the agreements and the balance of amounts payable, including the US\$15m commercial payment, will be payable upon completion of the change of control of Anvil. If for any reason the Offer is not completed, Anvil may affirm the agreements with Gécamines, in which event the pre-paid royalty will be reduced to US\$10m and the excess US\$2.5m of pre-paid royalty paid at signing of the agreement with Gécamines will be credited to the commercial payment. AMCK will also pay Gécamines US\$35/tCu on the "new copper reserves" contained within the Kinsevere Mine over and above those published in Anvil's annual information form for the financial year ended 31 December 2010. For the avoidance of doubt, the Company has informed SRK that "new copper reserves" refers to additional total contained copper reported in future Ore Reserves published by Anvil or the Company.



4 THE KINSEVERE MINE

4.1 Introduction

The following section includes a brief summary of the historical background to the Kinsevere Mine as well as a summary of the immediate environment in which the Kinsevere Mine is located.

4.2 History

In November 2004, Anvil entered into a joint venture (“**JV**”) agreement with MCK, a privately owned DRC company, to form a joint venture company, AMCK, to carry out feasibility study work on the Kinsevere copper cobalt deposits in Katanga province of the DRC, owned by Gécamines.

Following a drilling program during 2005 and the completion of a mineral resource estimate, Anvil announced, during the fourth quarter of 2005, its entry into the Lease Agreement for a total purchase price of US\$2.3m plus a royalty calculated based on production of copper and cobalt. Commercial production at the Kinsevere Mine started in June 2007. During 2006 and 2007, Anvil acquired an additional 25% interest in AMCK which increased its total interest in AMCK to 95%.

Mining of ore and waste at Kinsevere started in December 2006 and the Stage 1 Heavy Media Separation plant (the “**HMS Plant**”) was commissioned in June 2007.

4.2.1 2008

A pre-feasibility study of the Stage 2 expansion, involving construction of a Solvent Extraction and Electrowinning (“**SX-EW**”) development with a design capacity of 60kt tonnes of copper cathode per year was completed during the second quarter of 2007 and the board of directors approved the construction of the Stage 2 60ktpa SX-EW plant at Kinsevere Mine at a capital cost of US\$238m.

In February 2008, Anvil announced completion of an updated feasibility study for the Stage 2 expansion at Kinsevere Mine which increased the construction cost estimate to US\$298m. In May 2008, the construction cost estimate was further revised to US\$380m, reflecting detailed design and engineering as well as additional infrastructure at the mine site and general cost escalation that had affected the construction of new projects in the mining sector worldwide.

Following completion of a 41,000m drilling programme in 2008, a large proportion of which was in-fill drilling, an updated estimate of the Kinsevere Mineral Resource estimated the Measured and Indicated Mineral Resources in the combined oxide and sulphide portions at December 2008 to total approximately 29.8Mt at 3.8%TCu, representing approximately 1.1Mt of contained copper metal. The Inferred Mineral Resource was estimated to total approximately 14.1Mt at 3.6%Cu, representing an additional 507kt of contained copper metal.

The commissioning of the Electric-Arc Furnace (“**EAF**”) that comprised the final phase of the Stage 1 development took place in August 2008; however, owing to persistent operational difficulties the EAF ceased operation in March 2009.

In November 2008, as a result of a large decline in the copper price, uncertainty regarding Anvil's ability to access funding and operational difficulties, Anvil placed the Kinsevere Mine Stage 1 operation on care and maintenance and suspended development of Kinsevere Mine Stage 2 until additional finance became available and there was greater certainty in global financial and commodity markets.

4.2.2 2009

In January 2009, Anvil reached agreement with Gécamines and the GoDRC on the revised terms of its Lease Agreement.

In March 2009, Anvil restarted operation of the Stage 1 HMS Plant, after ceasing HMS processing in November 2008. Feed to the plant was initially sourced from the Run of Mine ("RoM") stockpile which was almost fully depleted by August 2009 when Anvil restarted mining in the Tshifufia Pit.

In August 2009, Anvil reached agreement with Trafigura Beheer B.V. ("**Trafigura**") for a combined debt and equity financing arrangement for an aggregate amount of US\$200m, the proceeds of which have been, and continue to be used, for the construction of Kinsevere Mine Stage 2.

4.2.3 2010 and 2011

Following the financing agreement reached with Trafigura, in January 2010, Anvil re-engaged Ausenco Projects Limited and Ausenco Solutions Pty Ltd under a Lump Sum Turnkey ("**LSTK**") contract for the completion of Kinsevere Mine Stage 2.

As at 30 June, 2011, Kinsevere Mine Stage 2 was complete and is currently in production build-up mode with nameplate capacity expected to be achieved in Q1 2012.

4.2.4 2012

On 10 February 2012, AMCK entered into the Clarification Agreement and the Amended Lease Agreement with Gécamines. Under these agreements Anvil will make payments to Gécamines in the amount of US\$55m.

These payments include a commercial payment to restructure certain terms of the agreements governing the Kinsevere Mine and the Mutoshi Project and a pre-payment of royalties on normal commercial terms. Anvil will also pay a tonnage based cash payment for new copper reserves discovered at the Kinsevere Mine.

These agreements further contain a confirmation that Anvil's title to the Kinsevere Mine is valid and in good standing, and agreement that all claims and historic allegations of breach are cured.

Pursuant to these agreements, US\$12.5m of the royalty pre-payment was paid by AMCK at signing of the agreements and the balance of amounts payable, including the US\$15m commercial payment, will be payable upon completion of the change of control of Anvil. If for any reason the Offer is not completed, Anvil may affirm the agreements with Gécamines, in which event the pre-paid royalty will be reduced to US\$10m and the excess US\$2.5m of pre-paid royalty paid at signing of the agreements with Gécamines will be credited to the commercial payment. AMCK will also pay Gécamines US\$35/tCu on the new copper

“reserves” contained within the Kinsevere Mine over and above those published in Anvil’s annual information form for the financial year ended 31 December 2010. For the avoidance of doubt, the Company has informed SRK that “new copper reserves” refers to additional total contained copper reported in future Ore Reserves published by Anvil or the Company.

In addition, and as announced by the Company on 10 February 2012, MCK has also acknowledged and welcomed the acquisition of control of Anvil that will result from completion of the Offer and further agreed to suspend the potential claims it had previously raised for a period of six months in order to allow MMR to integrate Anvil into its business. In return for MCK suspending its previous claims, Anvil has agreed to waive its pre-emptive rights, on a one-time basis, should MCK elect to transfer its 5% interest in the Kinsevere Mine to a third party.

4.3 Location

The Kinsevere Mine is situated in Kipushi District, Katanga Province, DRC and is approximately 1,555km southeast of Kinshasa, the capital city of the DRC. Located at latitude 11°22S and longitude 27°34E at an elevation of 1,200m above mean sea level (“**amsl**”), the Kinsevere Mine area is some 34km north-northeast of Lubumbashi, the provincial capital of the Katanga Province and some 3.5km due east of the nearby settlement of Kalundafialo. The site is accessed along a combination of sealed road along the N1 northwest from Lubumbashi to Likasi approximately 9km northwest of the turn off to Lubumbashi Luano International airport; and along unsealed roads for a total additional distance travelled of some 23km to the plant site. The unsealed road travelling from the village of Lukumi to Kalundafialo was upgraded by the AMCK as part of the Stage 1 project and passes through several villages en route.

A second access route branches off from the international airport turn off road along the N5 national highway from Lubumbashi to Kasenga and branches off between the settlements of Petro and Kisangwe. The total travelled distance along this road which will become the main access route to site, is some 24km and follows the newly constructed power transmission line.

The supply of most mining spares and consumables originates from within Southern Africa while capital equipment, predominantly for the Kinsevere Mine Stage 2 development, originates from Australia, Asia, Europe, and Southern Africa. Equipment and material shipped from overseas offloads at Durban in South Africa and is trucked to the DRC site operations. Anvil uses reputable South African trucking companies with the following transit distances and times:

- Ex Durban: approximately 2,700km and 20 days; and
- Ex Johannesburg: approximately 2,100km and 12 days.

Management of Anvil’s logistics function is coordinated from Anvil’s DRC corporate office at Kinsevere Mine and is supported by a small branch office in Johannesburg in South Africa.

4.4 Terrain

Kinsevere is situated on the Central African Plateau at an elevation of 1,200m. The plateau is aligned with a regional structure known as the Lufilian Arc, and is incised by streams and rivers which form gently sloping, shallow valleys. Regional topography is incised by the Luapula River (and its tributaries) which flows in a northerly direction towards its confluence with the Congo River via Lake Moreo, the Luvua River and the Lualaba River. The Kifumashi River is located to the north of the Kinsevere Mine area and flows into the Luapula River.

The surrounding area gently slopes to the north towards the Kifumashi River through more resistant parts of the Lower Roan formation southeast to northwest trending, with low but often steep sided ridges. The overall drainage gradient is about 2%.

Vegetation in the mine area generally consists of Riparian and Mungu (Acacia) vegetation though areas, specifically those close to the Kifumashi River have been cleared by slash and burn technique for kasava, maize and vegetable production. Due to copper poisoning of soils surrounding the Kinsevere Hill, Tshifufia and Tshifufiamashi deposits, open areas of grass land are also present.

A residual soil layer covers most of the mine and is approximately 2m thick. In some low-lying areas and along the banks of the rivers and streams, there is an accumulation of organic rich muds. Large termite hills are widespread and are formed by the species *Macrotermes falciger* often reaching heights of greater than four metres.

4.5 Climate

Kinsevere has distinct dry and wet seasons with the wet season commencing in October and generally finishing in April. The average rainfall of the area is approximately 1,100mm though this can range from 650mm to 1,500mm, 90% of the rainfall occurs during the wet season. Temperatures are generally mild and vary between 17°C and 26°C though can drop as low as 5°C during the night in July and August.

4.6 Title and Rights

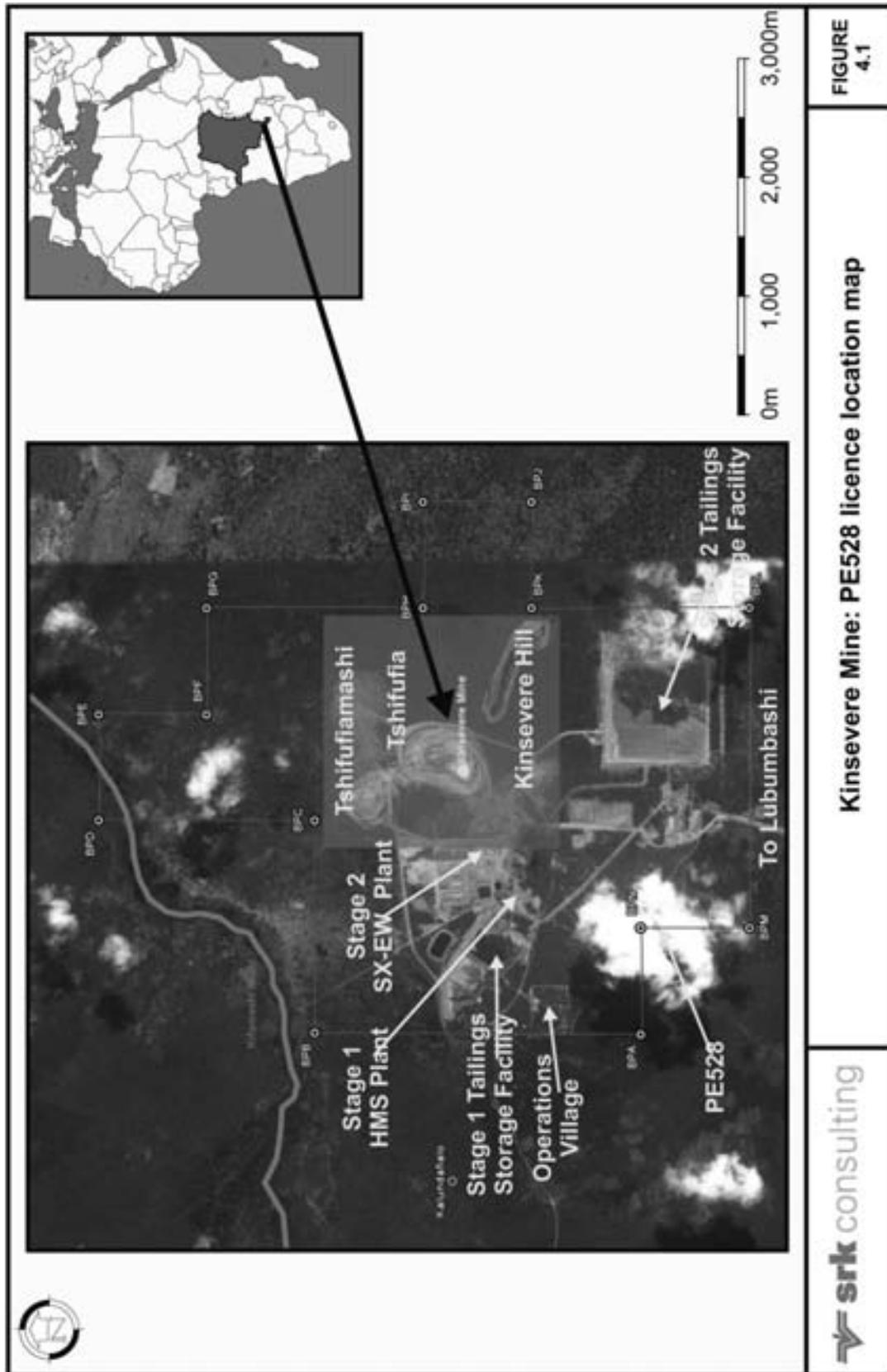
The mining rights to the Kinsevere tenement areas are leased to AMCK by Gécamines, through the Lease Agreement, AMCK was assigned the mining rights pursuant to a transfer of the Lease Agreement by MCK, the original party to the Lease Agreement. The term of the Lease Agreement is until 2024, followed by an automatic 15 year extension provided that PE528 and PE539 are also renewed for this extended term. SRK has been informed by Anvil that on 10 February 2012, AMCK entered into the Clarification Agreement and the Amended Lease Agreement with Gécamines. These agreements contain a confirmation that Anvil's title to the Kinsevere Mine is valid and in good standing, and agreement that all claims and historic allegations of breach are cured.

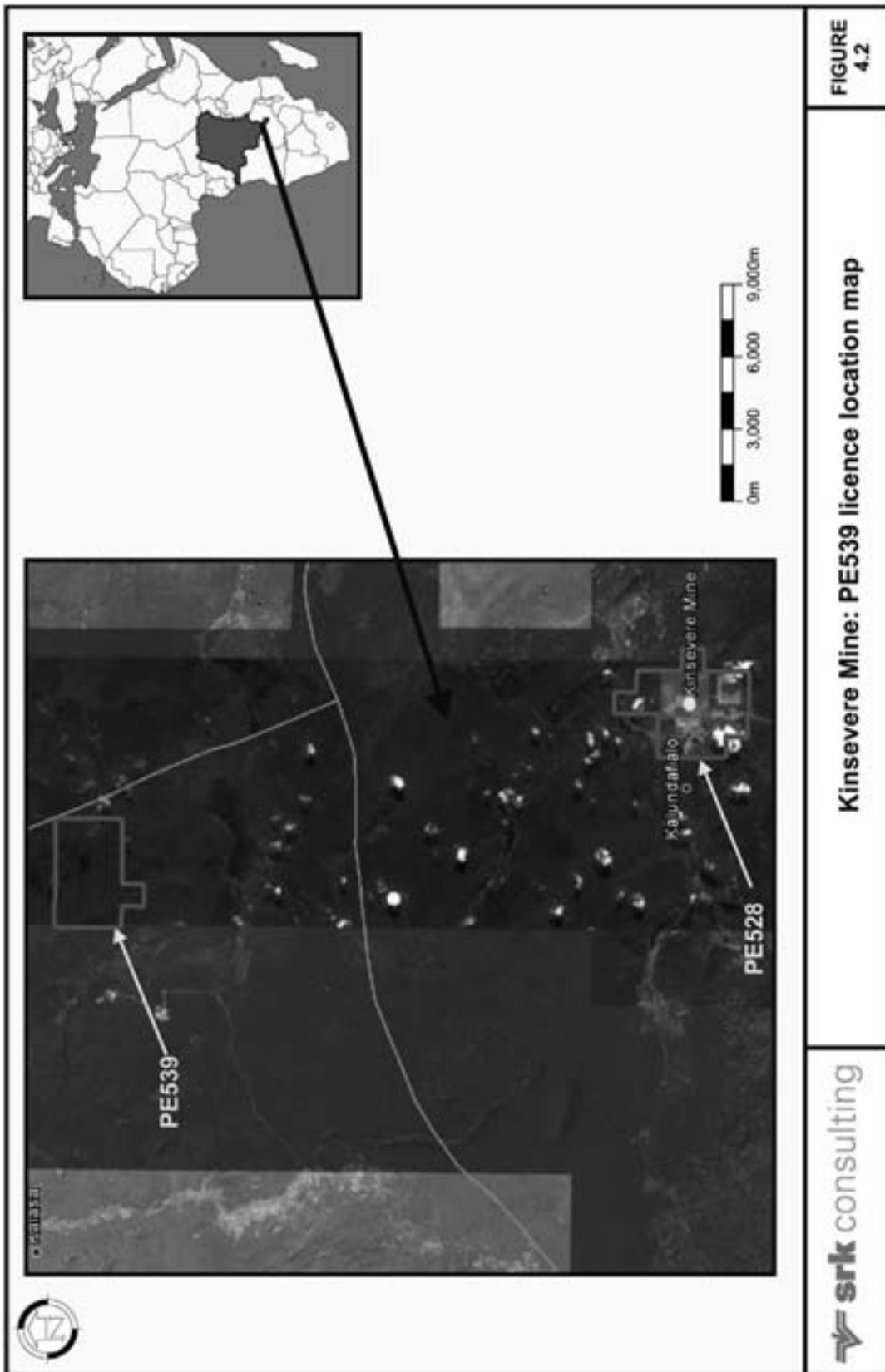
Kinsevere Mine comprises two separate PEs, Kinsevere (PE528) and Nambulwa (PE539) which are held by Gécamines. The mining rights associated with PE528 (Figure 4-1) cover the main Kinsevere Mine deposits comprising Tshifufia, Tshifufiamashi and Kinsevere Hill, and the mining rights associated with PE539 (Figure 4-2) cover the Nambulwa deposit. Both PE528 and PE539 are valid until 3 April 2024, and may be renewed for several successive 15 year periods provided that the permit holder has not breached its obligations to maintain the

validity of the PE, demonstrates the existence of financial resources required to continue to carry out the project, obtains all relevant environmental approvals and undertakes in good faith to actively carry on with the exploitation.

If PE528 and PE539 are not renewed by the end of their respective terms then they will expire. Upon their expiry, the Mining Registry of the DRC will immediately notify the permit holder of their expiry and the areas covered by PEs becomes free of all rights. Accordingly, Anvil would no longer be able to continue with its exploration and mining operations at the sites covered by PE528 and PE539.

SRK has been informed by the Company that it has obtained DRC legal advice that there is currently no foreseeable legal impediment to the renewal of PE528 and PE539, provided that the permit holder meets the abovementioned requirements relating to the renewal of PEs imposed under the DRC Mining Code.





5 GEOLOGY

5.1 Introduction

The following section summarises both the regional and local deposit geology of the Kinsevere Mine, including specific aspects of stratigraphy, deformation, deposit genesis and mineralisation. The interpretation of geological data with respect to the geological modelling is discussed in Section 6 Mineral Resources and Ore Reserves.

The geological model which supports the 2010 Statements (Anvil) has benefited from enhanced lithological and structural geology input sourced from SIROVISION surveys. This has generally resulted in improved confidence in both the three dimensional geological and mineralisation models. Anvil has incorporated all updated geological information through to 31 December 2010, with the general approach and methodology applied remaining largely unchanged from previous estimates.

5.2 Regional Geology

The Kinsevere deposits are situated in the north-eastern part of the Central African Copperbelt (Figure 5-1), in the southern Katanga Province of the DRC. The Central African Copperbelt continues southwards into the northern part of Zambia, and constitutes a metallogenic province which contains several world class copper and cobalt deposits. The DRC part of the Copperbelt forms part of a continuous fold belt, known as the Lufilian Arc. This fold belt is only one of a series of belts which fringe the Congo Craton. Deformation in the Lufilian Arc is thought to date from the Neo-Proterozoic (800Ma to 600Ma), and marks the development of intra-cratonic rifting, followed by Late Neo-Proterozoic collisional deformation and metamorphism, which is thought to be associated with the formation of Gondwana (600Ma to 500Ma), called the Lufilian Orogeny.

Thrusting within the Lufilian Orogeny has produced an arcuate belt, with a variable strike. The Lufilian Arc strikes north-northwest in Zambia, and swings round to almost east-west in the DRC. The trend is best observed in outcrops of the Neo-Proterozoic Roan Supergroup sediments, which occur as tight to isoclinal antiforms, which are later offset by faults and breccia bodies. These fragments of Roan Supergroup sediments are termed "écailles", or rafts, and can measure up to 10km in length. These rafts form the host rocks for copper and cobalt mineralisation within the DRC portion of the Central African Copperbelt.

The Roan Supergroup is a thick succession of predominantly shallow marine and terrestrial meta-sediments, which is thought to have accumulated in an intra-cratonic rift valley environment. In places, the total succession can reach 7km in thickness. Only part of this succession forms the host for mineralisation, and this is termed the Mine Series, or Mine Group. The mineralisation within the Kinsevere deposits is hosted by these sediments.

5.3 General Deposit Geology

5.3.1 Stratigraphy

There are three zone locations within the stratigraphic column which host mineralisation within the Mine Group. These three zones are termed the Lower Orebody ("**LOB**"), the Upper Orebody ("**UOB**") and the Third Orebody ("**TOB**"). The LOB is hosted by the Grey Roche

Argilleuse Talcose ("**Grey RAT**"), Stratified Dolomite ("**D. Strat**") and Roche Siliceuse Feuilletée ("**RSF**") units of the Kamoto Dolomite, the Upper Orebody by the Basal dolomitic shale ("**SDB**") and the Black Ore Mineralised Zone ("**BOMZ**") in the Dolomitic Shales which overlie the Kamoto Dolomites.

The LOB and the UOB are typically separated by a barren unit called Roche Siliceuse Cellulaire ("**RSC**"), but this is missing in the Kinsevere Mine. The UOB and TOB are separated by approximately 15m to 20m of barren sediments, with the TOB being hosted by dolomites of the Lower Kambove Dolomites. Mineralisation is also encountered in the lower most part of the Upper Kambove Dolomites.

Outcrop in the area is relatively poor, with approximately 1% of the bedrock being exposed. Geological maps of the area have been derived from trenching, pitting and artisanal workings, supplemented by drill logs. The mineralisation in the KCP area is thought to be hosted by a single raft of Mine Group sediments.

5.3.2 Deformation

The Kinsevere Mine is split into several mineralised zones, namely Tshifufiamashi, Tshifufia North, Tshifufia Central, Tshifufia South, Kilongo and Kinsevere Hill. The Tshifufia and Tshifufiamashi deposits are thought to occur in an internally folded, continuous raft of Mine Group sediments, crosscut by east-west striking faults. The folds within the Mine Group raft are open, low amplitude synformal structures, with a moderate to steeply dipping, north to north-east trending, fold axis. At Tshifufia North and Tshifufia Central, the stratigraphy strikes north-south, but is offset immediately north of Tshifufia South. At Tshifufia North, bedding dips steeply to the west, and at Tshifufia Central, it is overturned, and dips moderately towards the east. Within Tshifufia South, the bedding has a near vertical dip, and appears to wrap around a central core. The whole area is cross-cut by east-west trending structures, which have been interpreted as reverse faults.

A second phase of deformation has resulted in the development of east-west trending folds, which are superimposed on the north-northeast trending folds. This has created an interference pattern. The interaction of the two fold patterns appears to have some level of control on the localisation of copper mineralisation within the mine area. The east-west trending cross faults also control the level of leaching apparent at surface.

At Tshifufia South, the stratigraphy is folded, with a west-northwest trending fold axis. On the southern limb, the bedding dips moderately to the northeast, while on the northern limb, the bedding dips at approximately 60° to the west.

5.3.3 Deposit genesis

The mineralisation at Kinsevere Mine is interpreted as a structurally modified stratiform copper deposit, and a three stage genetic model has been proposed:

- **Late Diagenetic Mineralisation:** Primary (late diagenetic) stratiform mineralisation, as observed at Tshifufia. Sulphide minerals occur in veins, veinlets and fault zones due to deformation induced remobilisation;
- **Remobilised Mineralisation:** The deformation phases in the area have resulted in a synformal structure, later disrupted by east-west trending folds, causing an interference

pattern. Later faulting has crosscut the folded structures. The highest grade mineralisation is thought to have been caused by remobilisation, and is often concentrated at the hinge zone of the cross folds, especially where later faulting has also occurred. Remobilisation is considered to have resulted in upgrading the mineralisation to greater than 3% copper; and

- **Supergene Mineralisation:** The oxide portion of the deposit lies on top of the sulphide mineralisation. The identification and modelling of stratigraphic units has aided in the defining of domains for grade estimation, with the highest grades appearing to occur close to the base of the weathered horizon. Barren areas also occur within the weathered horizon, which may be due to the permeability of the strata, or near surface leaching. The leaching appears to be prevalent along the cross faults, and may explain the variable grade distribution.

5.3.4 Mineralisation

Mineralisation in the supergene zone is composed primarily of malachite, with a significant enrichment of cuprite in some areas. At surface, the mineralisation is hosted by bleached, siliceous rocks. The oxide ore is interpreted as a supergene blanket, which is overlying the primary, sulphide mineralisation. The grade of the oxide mineralisation appears to lack stratigraphic control, but does appear to increase towards the base of the weathering horizon.

The oxide minerals in the supergene blanket are predominantly malachite and pseudomalachite, with minor chrysocolla, and minor heterogenite. The minerals occur as disseminations in veins and in veinlets. The disseminated mineralisation will occasionally coalesce into larger clots. The malachite also occurs as coarse (0.2mm to 0.7mm), crystalline or bladed crystals, although a significant amount is associated with the goethite, quartz and phyllosilicate gangue. The pseudomalachite is finer grained than the malachite, and is associated with the gangue material only. Sulphides (e.g. chalcopyrite) do occur in the oxide zone, but are more commonly associated with the unaltered fresh rock at depth.

Primary sulphide mineralisation is not observed at surface, and interpretations have been made from drill core. The main copper mineral is chalcopyrite, and some bornite, with secondary copper and cobalt minerals being chalcocite, and cuprite with inter-grown heterogenite. The mineralisation is stratiform, and occurs as bedding parallel, finely disseminated layers. The host lithology is a pale grey, coarse-grained, often re-crystallised silty dolomite. Mineralisation also occurs in fine, cross-cutting quartz-carbonate-copper sulphide veins. Fault breccias which have incorporated copper sulphides in the matrix and veins, may be due to the remobilisation of the stratiform mineralisation.

The base of the oxide mineralisation is irregular, controlled by the rock fabric, particularly below zones of deformation. The copper grades are generally significantly higher in the oxide zone than in the fresh zone. The oxide grades are also more erratic, and tend to form discontinuous layers, which cross cut bedding surfaces.

Anvil has undertaken a brief study concerning the occurrences of uranium and thorium bearing minerals in the Tshifufiamashi, Tshifufia and Kinsevere Hill deposits. 99.76% of the analysed 9,042 diamond samples were found to have uranium values of below 150ppm. Of the samples with uranium occurrences above 150ppm, a single hole (TFDH005) was shown

to have elevated uranium values up to 2,070ppm. The elevated uranium values are located at a depth of approximately 360m to 380m below surface at the Tshifufiamashi deposit.

Uranium occurrences within Tshifufia deposit are located along the eastern edge of the pit and are considered to be associated with lithologies between SD and the easterly lying DStrat and RAT units. This uranium occurrence is between 100m and 250m below surface, and appears to have an approximate linear trend. Further work, consisting of inspecting the core for uranium mineralisation and re-assaying the relevant pulps has been suggested by Optiro Pty Limited (“**Optiro**”), who undertook the uranium analyses for Anvil.

Figure 5-2 presents the surface geology and exploration drill-hole locations for Kinsevere Mine. Figure 5-3 presents section 744,220mN looking north through the Tshifufia deposit. Figure 5-4 presents section 744,025mN looking north through the Tshifufia deposit.

5.3.5 Black Shale within the Oxide Mineralisation

Carbonaceous shale units (Figure 5-5) have been intersected during mining operations at the Kinsevere Mine. The unit (termed “**Black shale**”) occurs within the UOB and was not defined as a separate sub-domain of mineralisation within the 2010 Statement (Anvil).

Anvil has undertaken a preliminary modelling exercise of the black shale unit, using the mapped contacts from the in-pit mapping, and AsCu/TCu ratios to determine the redox front which separates the oxide minerals (azurite and malachite) from the reduced (chalcocite and bornite), and deeper fresh (chalcopyrite) minerals. The location of the boundary is dependent on the faulting, lithology and the susceptibility of the lithology to weathering. The worst case scenario as modelled by Anvil comprises approximately 15% of the Black Shale mineralisation. Within this modelled zone, the ASCu/TCu ratios were adjusted to represent a sulphide style of mineralisation, which typically has a ratio of 0.2. This reduces the contained ASCu metal by 11%.

Following a more detailed review of the database, and further exposure of the black shales within the pit, Anvil considered that the ASCu/TCu ratio needed to be adjusted. Exposure in the pit indicates that the Black Shale unit consists of layers of both oxide and reduced mineralisation, derived from stratigraphically controlled units. The AsCu/TCu ratios within the Black Shale modelled unit were analysed by Anvil, and distinct groups of ASCu/TCu ratios were identified. The group analysis showed that approximately 50% of the black shale samples have a ratio of greater than 0.8 (i.e. oxide mineralisation). These samples were spaced across the whole Black Shale modelled unit and Anvil has concluded that approximately 50% of the black shale unit is oxide material. This 50% factor reduces the amount of affected contained ASCu metal to 5.5% of the total oxide resources.

Anvil has also undertaken analyses of the different drilling methods used to define the Black Shale unit. The RC sample collection methods are thought to have introduced a bias (due to the loss of fines during the RC sampling) where the estimated grades are approximately 14% lower than the true actual grade. When compared to diamond drilling results, the RC samples have consistently been 19% lower than the true actual grade. This bias between RC and diamond drill holes is an additional factor, which reduces the amount of affected ASCu metal from 5.5% to 4%.

Notwithstanding the above, SRK notes that the 2010 Statements (Anvil) precede the Black Shale analysis described above and therefore don't factor in the likely effect of either reduced metal content or reduced metallurgical recoveries which may render a portion of the oxide material not to be economically mineable. SRK has been informed that further analysis is underway and the current geological model will be updated for the 31 December 2011 Statements.

5.4 Specific Deposit Geology

5.4.1 Tshifufia

Tshifufia comprises three distinct zones, Tshifufia South which was previously mined to a depth of 30m, Tshifufia Central, and the less-well developed northern extension of the Tshifufia deposit. Mineralisation is made up primarily of malachite though considerable enrichment of cuprite occurs in specific zones. All three orebodies, LOB, UOB and the TOB are found within Tshifufia and are intensely deformed with the orebodies being overturned in parts and dipping steeply to the east at about 75°. Mineralisation is oxidised and siliceous and extends over 400m in length and 50m in width. The regolith profile includes a near-surface veneer of depleted and bleached clays underlain by a zone of decreasingly oxidised country rocks. The base of oxidation is at a depth of approximately 100m.

At Tshifufia South a pit approximately 30m deep was developed by EXACO in a similar but rotated stratigraphic succession to Tshifufia Central. The open-pit provides access to the main orebodies. The LOB is partially obscured at the base of the pit, while the UOB is exposed on benches developed on the southwestern side of the pit. The geology in the open-pit is divided along a northeast trending breccia zone into an eastern and western segment. In the west, the beds dip moderately to steeply to the northeast and in the east, beds dip at about 60° to the west. Ore minerals are predominantly malachite with intergrown heterogenite.

5.4.2 Tshifufiamashi

At Tshifufiamashi the Mine Group rocks outcrop over a strike length of approximately 300m and a width of approximately 200m. As with the above prospects, a similar lithological succession is present. In contrast to Tshifufia Central, the beds are not overturned and dip moderately to steeply to the west.

Both the UOB and LOB are developed. The 5m wide LOB consists predominantly of malachite, while the UOB is 12m to 15m wide with malachite and some cuprite. The TOB is also well developed at Tshifufiamashi. Artisanal miners have excavated numerous pits on this site indicating the presence of rich copper grades and the lateral persistence of the mineralisation. Common to all prospects of the KCP area, is the absence of the RSC which normally separates the UOB and LOB. Consequently, the UOB is in direct contact with the LOB. It is also common to all prospects that mineralisation terminates against the breccia. There are currently no known bore holes that have penetrated the breccias at depth and re-encountered other fragments.

5.4.3 Kinsevere Hill

Kinsevere Hill is an un-exploited low hilltop made up of steeply west-southwest dipping Mine Group rocks (Lower Roan) hosting predominantly malachite mineralisation along its entire outcrop length. It is some 250m long, 110m wide and rises about 20m above the surrounding ground.

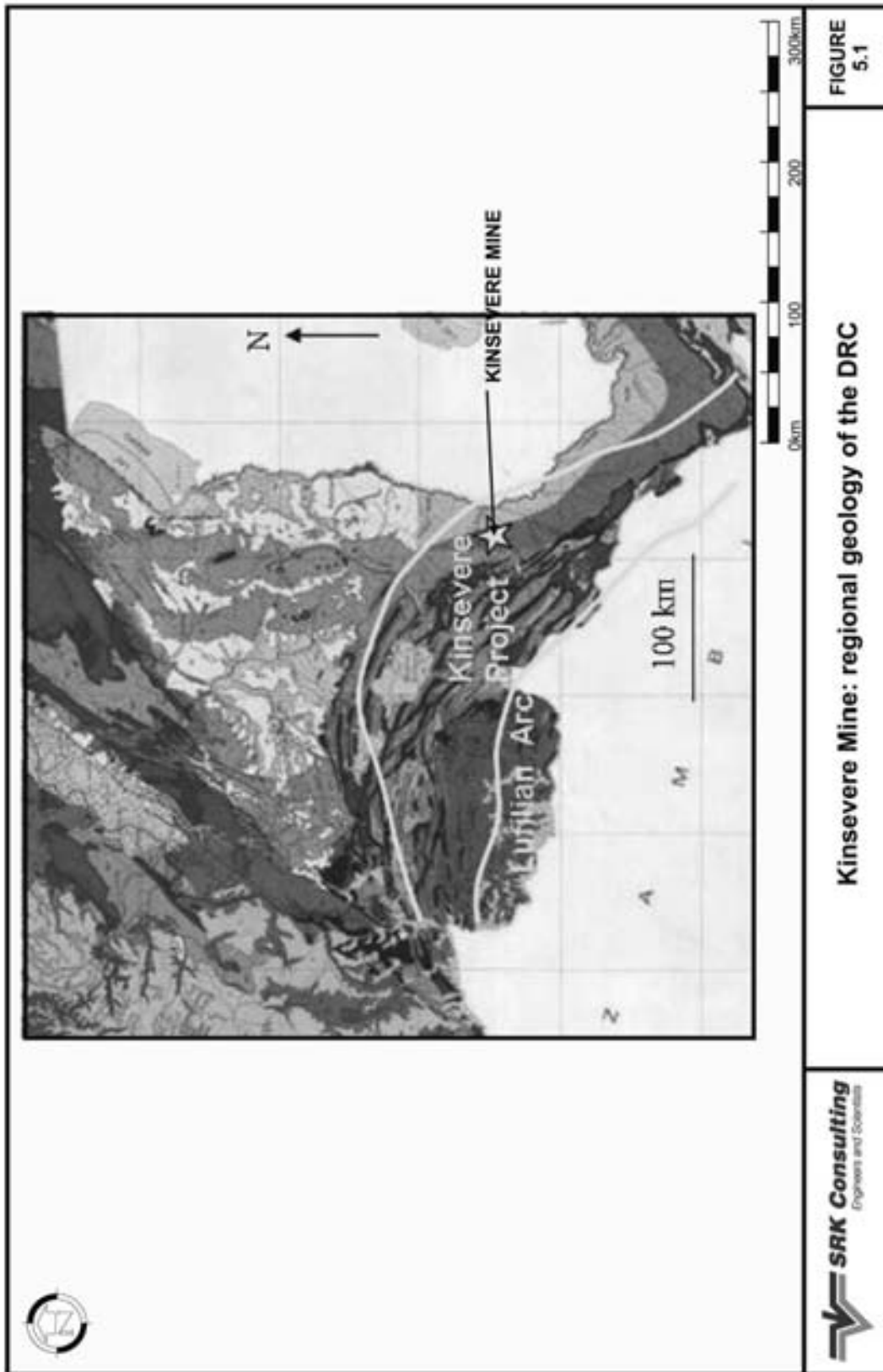
5.5 Summary Comments

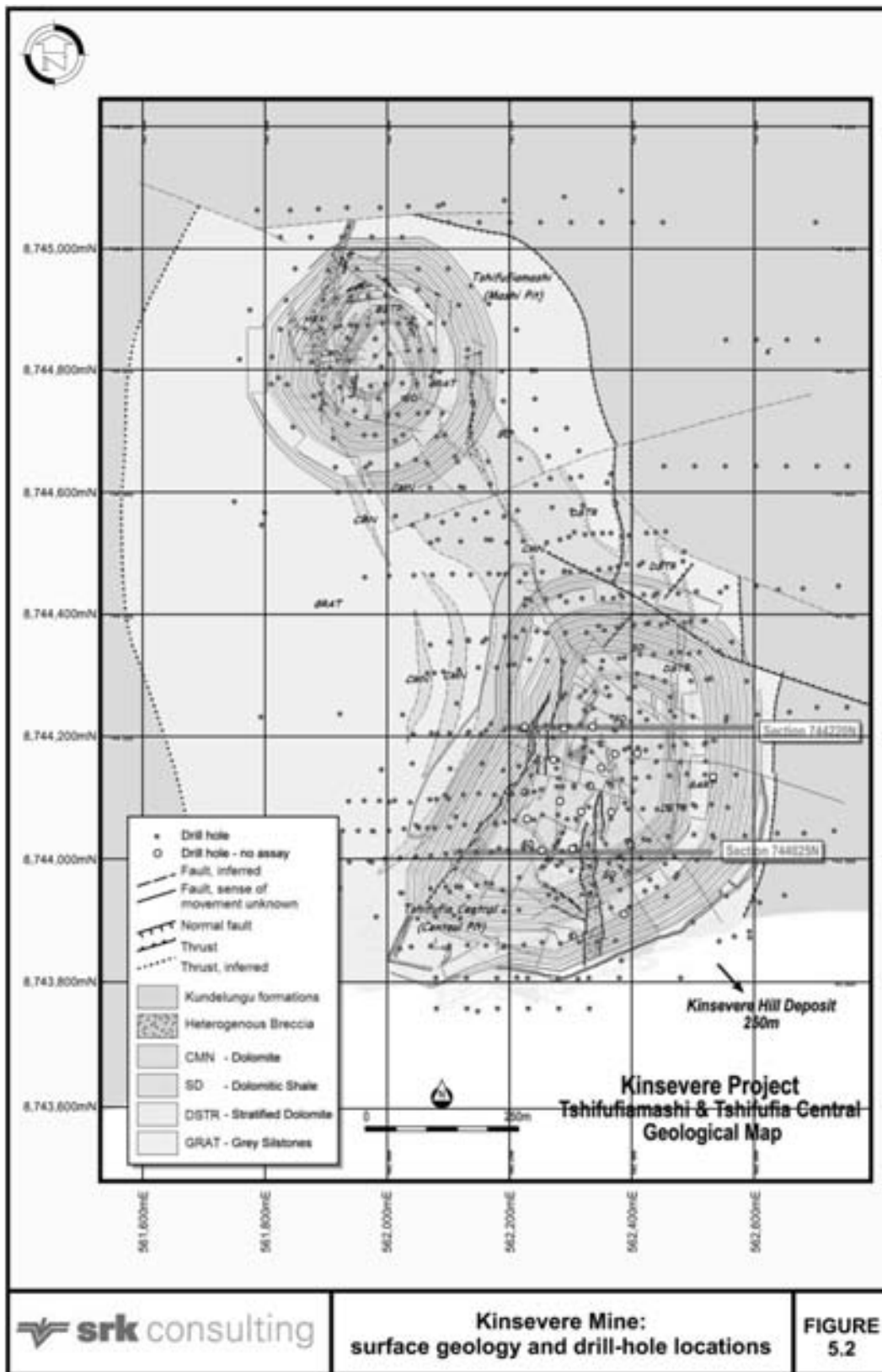
SRK concludes that the geological understanding of the oxide resources at Kinsevere Mine is sufficient to support the basis of the 2011 Statements (SRK Depleted) and the LoMp. Notwithstanding this aspect SRK notes that grade control will remain a critical aspect whereby the distribution and variability of density measurements as well as the impact of Black Shales are key.

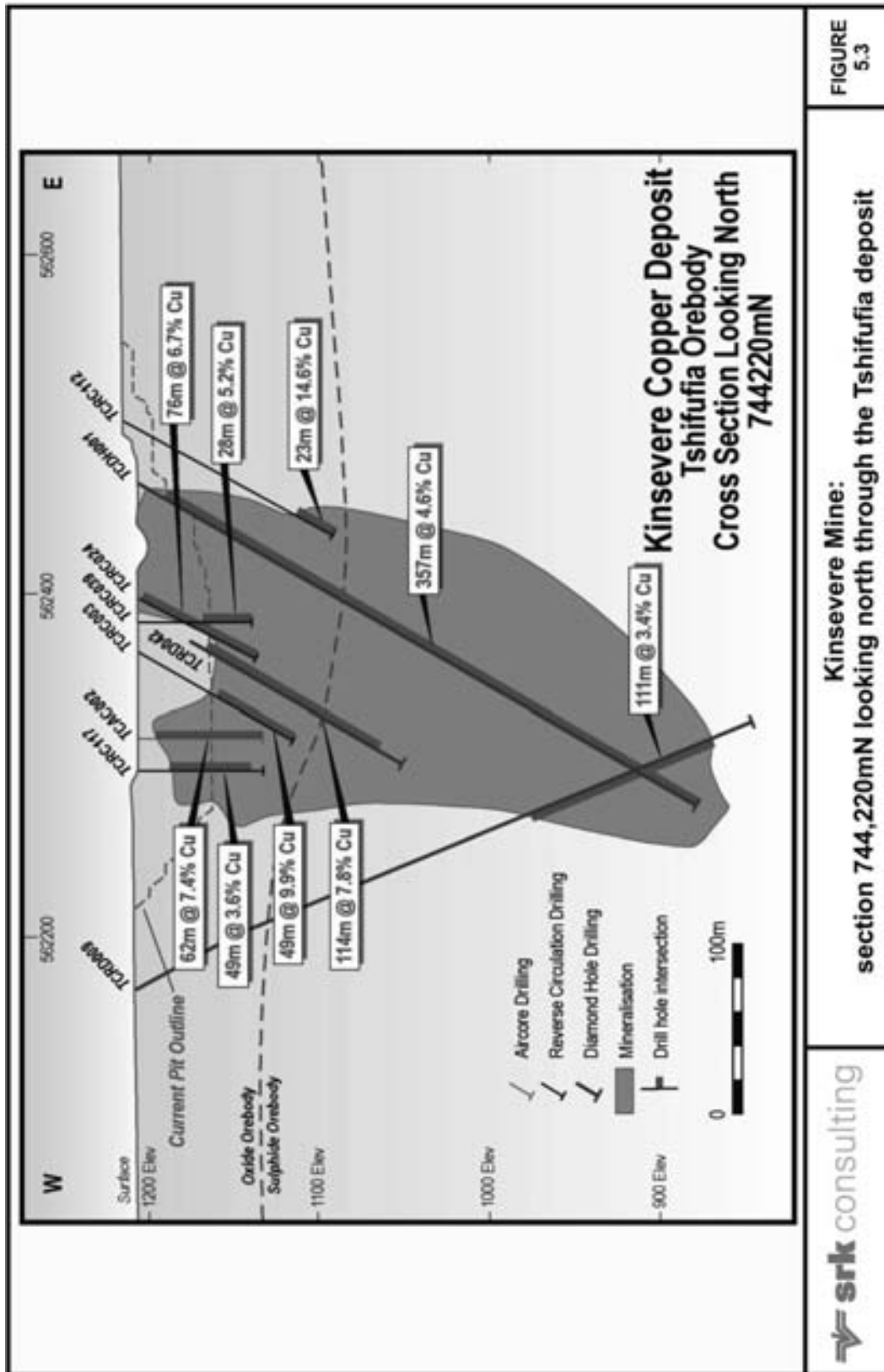
The 2010 Statements (Anvil) include the results of all drilling campaigns concluded to 31 December 2010 as well as the results of revised density analysis, grade control data and detailed in-pit geological mapping. That said, the geological model for the 2010 Statements (Anvil) does not incorporate the preliminary results from the recent Black Shales analysis, and SRK has been informed that the model to be used for the 31 December 2011 Mineral Resource and Ore Reserve statements will.

Accordingly, the principal focus of further technical work in respect of the Kinsevere copper deposits includes:

- Continuation of grade control drilling to assist improved reconciliation between the exploration drilling model, grade control model and production results;
- Mineralogical analysis and further geological investigation to determine the nature and extent of the uranium bearing mineralisation intersected to date;
- Infill drilling to upgrade resource classification;
- Continuation of the detailed Black Shales analysis and further quantification of the impact of reduced metal content specifically as between 11% and 4% of the modelled ASCu contained metal may be hosted by the black shale unit; and
- Testing the extent of the sulphide Mineral Resource between 360m and 380m below surface for Tshifufia and 100m to 250m below surface for Tshifufiamashi. Following commencement of Stage 2 production a sulphide drilling programme (Phase 5) commenced and as of 30 June 2011, 400m had been drilled, with core being logged and stored for assaying at an on-site laboratory operated by an international laboratory services company and overseen by African Mining Consultants (“**AMC**”).







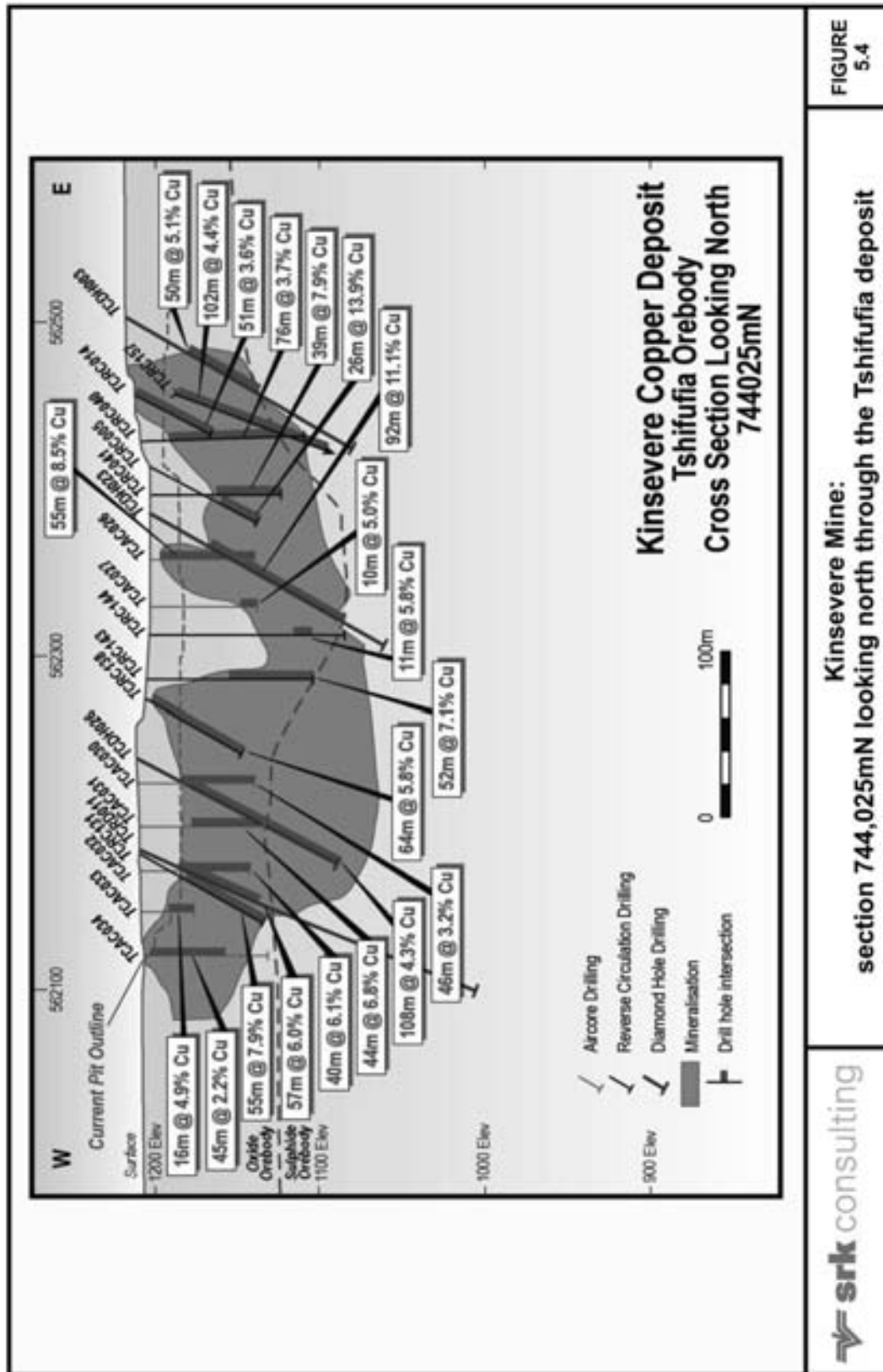
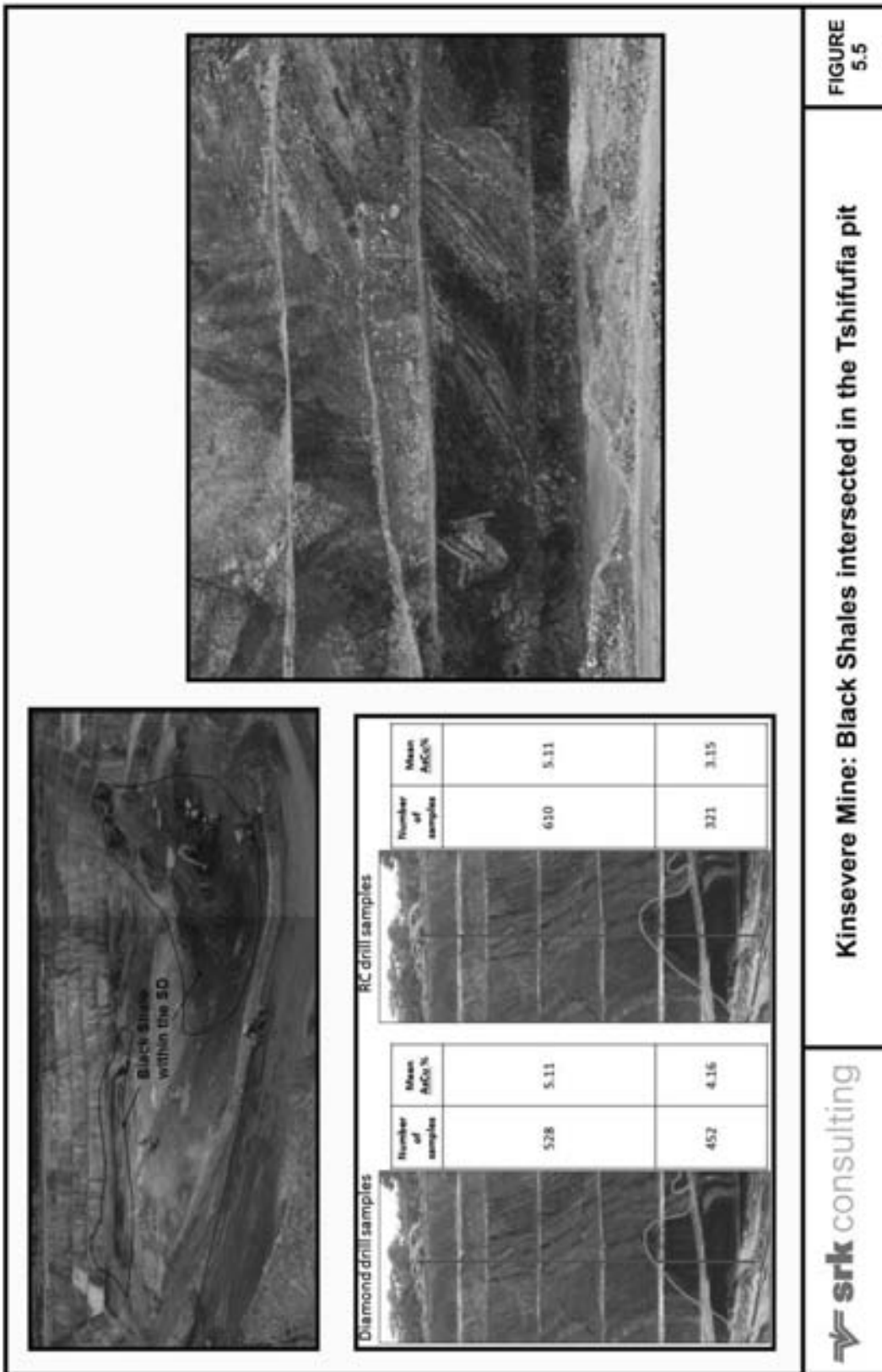


FIGURE 5.4

Kinsevere Mine: section 744,025mN looking north through the Tshifufia deposit





6 MINERAL RESOURCES AND ORE RESERVES

6.1 Introduction

The following section includes discussion and comment on the methods used to derive Mineral Resource and Ore Reserve estimates for the Kinsevere Mine. As a TSX listed company Anvil currently reports its Mineral Resource and Mineral Reserve Statements in accordance with the “*CIM Definition Standards – for Mineral Resources and Mineral Reserves*” prepared by the CIM Standing Committee on Reserve Definitions (“**CIM 2005**”). In preparing their annual statements, Anvil:

- Prepares Technical Reports in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“**NI 43-101**”), Form 43-101F1 - Technical Report (the “**Technical Report**”), and Companion Policy 43-101CP (the “**Companion Policy**”) as published by the Canadian Securities Administrators (“**CSA**”); and
- Relies on Qualified Persons’ (“**QPs**”) within the meaning of NI 43-101, who comprise:
 - David Gray of Optiro as QP for Mineral Resources,
 - Anthony Cameron of A&J Cameron and Associates (“**Cameron**”) as a QP for Mineral Reserves,
 - Michael Lawlor of Anvil Mining Limited as overall QP for the Technical Reports.

SRK has derived the 2011 Statements (SRK Depleted) based on depletion adjustments made to the 2010 Statements (Anvil) and has not fundamentally re-estimated the 2011 Statements (SRK Depleted) based on the results of any additional drilling, the potential impact of Black Shales, or any revisions to the operating expenditure and commodity price assumptions as incorporated into the latest LoMp as generated by Anvil.

As previously noted (Section 1.2.2) the CPVR has adopted the terms and definitions of the JORC Code for reporting of Mineral Resources and Ore Reserves. SRK considers that if the 2011 Statements (SRK Depleted) were re-reported in accordance with CIM 2005 the only difference would be the exclusion of Inferred Mineral Resources within total Mineral Resources. It follows that, for the purpose of this CPVR, the following terms shall be considered synonymous when considering either CIM or JORC Code: Mineral Resources; Mineral Reserves and Ore Reserves.

For Tshifufia and Tshifufiamashi the methodology and approach adopted for Mineral Resource and Ore Reserve estimation by Anvil remains largely unchanged since 2009. The geological model which supports the Mineral Resource Statements for Kinsevere Hill remains unchanged since the estimate undertaken by independent consultants in 2005.

6.1.1 Review and Validation Process

SRK has not undertaken a fundamental recalculation of the 2010 Statements (Anvil) as publically declared by Anvil, however SRK confirms that it has undertaken sufficient check calculations and where appropriate, made necessary adjustments to the estimates as originally declared by Anvil as at 1 January 2011.

The processes applied by Anvil in generating its 2010 Statements (Anvil) include three dimensional computerised techniques and in SRK's opinion are aligned with good international practice.

6.2 Mineral Resource Estimation and Classification

6.2.1 Quality and Quantity of Data

Since 2005, Anvil's drilling programmes have had two principal objectives: to improve the understanding of the oxide Mineral Resources for the Stage 2 Development Project and to identify other local resource potential, including sulphide depth extensions at the Kinsevere Mine which may allow for Stage 2 to extend to a Stage 3 development phase. To date, the following has been achieved:

- **Phase 1** Drilling Programme in connection with the 2007 Feasibility Study for the Kinsevere Stage 1 development (May, 2006);
- **Phase 2** (December 2006) and **Phase 3** (September 2007) Drilling Programmes resulting in an updated Mineral Resource at Tshifufia and Tshifufiamashi and at Kinsevere Hill; and
- **Phase 4** Drilling Programme (2008) resulting in a further updated oxide Mineral Resource for Tshifufia and Tshifufiamashi and a Mineral Resource for the Kinsevere Hill (after being merged with the Kinsevere Hill Extension). Owing to Anvil's financial situation at the time, the Phase 4 programme was halted in late 2008 with the assaying of samples not completed until 2010.

Close spaced RC grade control drilling was carried out at Tshifufia during 2010 with assay data and geological interpretations used to refine the definition of the December 2010 Mineral Resource model. The improved grade control drilling and sampling procedure continued throughout 2011 and into the Stage 2 operations phase. Following commencement of Stage 2 production a Phase 5 sulphide drilling programme commenced in H1 2011.

The following information provides an update on the resource drilling work completed to 2008, including details of collar and down-hole surveys. Anvil's drilling programmes (Phases 1 to 4) have concentrated on extensional and definition resource drilling. Consideration has been given to the collection of representative material for both metallurgical test work and for geotechnical studies, whilst ensuring that proposed infrastructure sites have been properly sterilised.

Table 6-1 summarises the number of holes and number of drilled metres by drill type and objective.

Table 6-1: Kinsevere Mine: summary of exploration drilling (excluding grade control)

Drilling	2005 through 2007		2008		Cumulative Total	
	Holes (No)	Drill Length (m)	Holes (No)	Drill Length (m)	Holes (No)	Drill Length (m)
Air-Core Drill	286	13,314	15	661	301	13,975
Diamond Drill	39	6,552	61	18,052	100	24,604
Reverse Circulation	318	26,540	177	22,414	495	48,954
Total	643	46,406	253	41,127	793	87,533

For the 2010 Statements (Anvil) a total of 62,124m of drillhole data (832 holes – including grade control) was selected with 59,478m sampled with assay results and 17,308m of grade control Reverse Circulation (“**RC**”) drilling. Historical blasthole data was used to guide delineation of mineralised volumes, but blasthole assay results were not used during estimation due to quality risks. Similarly, air core samples were not used during the latest estimation process.

Surface Drilling Grid

Surface drilling is along east-west oriented lines spaced approximately 50m apart with holes every 25m along each line. Holes were drilled at 50° to 60° angles in order to minimise the risk of oblique intersection angles to the ore body. The good drillhole coverage adequately closes off the Tshifufia and Tshifufiamashi mineralisation to the north and south. Mineralisation remains open at depth for large portions of Tshifufia, and to a lesser extent at Tshifufiamashi.

Topographic and Down-hole Survey

Exploration drilling at Kinsevere Mine was conducted by various contractors, using rigs owned by Anvil. Collar locations were initially located using handheld GPS units, or by tape and compass and the elevations of the collars were corrected later using a light detection and ranging (“**LIDAR**”) survey. The new topographic survey is reported as being accurate to an elevation of 15cm, and 20cm in the horizontal plane. Downhole surveys were only undertaken from 2007 onwards, when a multi-shot instrument was used with the diamond holes. The RC holes were surveyed at the end of the season. Very few of the Air Core (“**AC**”) holes were surveyed (14%), but as the holes are drilled vertically, and are relatively short, potential hole deviation is unlikely to be an issue.

Sampling and Analysis

Sample intervals for diamond drill core were controlled by lithology and visible mineralisation to ensure that as much information as possible was collected on the controls of the mineralisation.

RC and AC chip samples were collected at 1m intervals across visibly mineralised zones and at 4m intervals across what appeared to be barren intercepts. Drill chips (RC and AC) were split to generate two kilogram samples, which were bagged, labelled and stored at the exploration camp, prior to dispatch to the laboratory.

Diamond drilling (“**DD**”), sample intervals for the core were controlled by lithological contacts, and the presence of visible mineralisation. Samples were taken to lithological contacts with high grade zones sampled separately. Core was marked up at the drill site, but was taken to the exploration camp for logging and photographing and all logs were recorded electronically. Core was split in half and one half split into quarters. One quarter core was removed for assaying, the other was cut into 10cm to 20cm lengths for specific gravity (“**SG**”) measurements or metallurgical test-work, and the half core retained in the core tray as a geological record.

The core samples were also bagged and sampled prior to being shipped for analysis. The retained core, and remainder of the RC and AC chips are stored on site, or at the Lubumbashi exploration office.

In 2005, all DD, RC and AC samples were sent to A.H. Knight Laboratories (“**A.H. Knight**”) in Kitwe, Zambia for sample preparation, and the resultant pulps were sent by A.H. Knight to ALS Chemex in South Africa for copper and cobalt analysis. In 2006 and early 2007, samples from drilling were sent directly to ALS Chemex laboratories in South Africa for copper and cobalt analysis. This practice was changed in early 2007 so that the samples were prepared at Anvil's Kinsevere Mine sample preparation facility in order to facilitate the insertion of standard materials into the sample stream so that they would be blind to the laboratory.

Sample materials submitted for sample preparation were crushed to minus 2mm, split with a Jones riffle splitter to produce a 1kg sample, and pulverised to 75 microns. Sizing tests were conducted to ensure a 90% pass rate for the pulverised material (pulp). The 2mm sample residue was kept in storage at the laboratory as a reference sample. The 1kg of pulp was reduced further using a narrow aperture riffle splitter.

All samples were submitted for two analyses to determine total copper and acid-soluble copper values. Total copper was determined by a four acid digest (HF-HNO₃-HClO₄ digestion, with HCl leach), followed by analysis by ICPAES or AAS (detection range 0.01-40%) – ALS Chemex code AA62. Acid soluble copper was determined by a sulphuric acid leach, followed by an AAS analysis – ALS Chemex code Cu-AA05.

In 2008 samples were subsequently dispatched to ALS Johannesburg or Actlab's Pacific laboratories for ASCu, TCu and cobalt (“**Co**”) analysis. ALS Chemex is a leading supplier of analytical and assaying services to the mining industry worldwide, and the laboratory complies with the international standards ISO9001:2000 and ISO17205:2005. Actlabs Pacific is currently undergoing ISO17025 NATA certification. All sample preparation protocols, analytical methods used and security procedures adopted are considered to have been appropriate to support the Mineral Resource declarations at Kinsevere Mine.

Data Verification and Quality Control Measures

As noted in Anvil's Annual Information Form for 2010 (“**2010 AIF**”) the QPs who prepared or supervised the preparation of the scientific and technical information in support of the current geological databases have verified the data.

Certified reference material known as 'standards', sample duplicates and 'blanks' were inserted into all sample batches submitted to the laboratory. A standard and duplicate were submitted for every 20 samples dispatched, and a blank was submitted for every 50 samples. Periodic round robin testing was undertaken using Kinsevere Mine's metallurgical laboratory, operated by SGS.

Standard performance was generally good, with a few isolated samples falling outside the required two standard deviations. Duplicate comparisons also indicated good correlation, with few samples falling outside one standard deviation. To 2007 no samples were submitted to external laboratories, which would provide information on the accuracy of the ALS Chemex laboratory.

In 2008 Anvil also undertook a detailed verification process for the drillhole databases. This involved the identification and correction of any miscoded samples, negative grades and samples being set to very small values.

In 2009, the quality assurance and quality control (“**QAQC**”) system highlighted several batches of data in the Phase IV drilling campaign which required re-assaying. In total, 9 out of 45 batches failed as the standards indicated that the resultant assays may be inaccurate, and 12 out of 45 batches failed as duplicate analysis indicated that the assay data may be imprecise.

The inaccurate batches of samples are thought by Anvil to have been caused by sample miss labelling within the laboratory. In order to determine whether this was the case, Anvil re-assayed 10% of affected batches, with QAQC samples inserted at a rate of 1 in 20.

Uranium Sampling

Various uranium and thorium assay results were undertaken in 2007 and 2008 and in respect of uranium some 41 holes returned uranium grades ranging from 10ppm to a maximum of 2,070ppm (0.270%) uranium and nine of the holes returned values exceeding 100ppm (0.01%). In respect of thorium some 47 holes returned thorium grades ranging from 20ppm to a maximum of 120ppm with only one of the holes returning values exceeding 100ppm. No further work has been undertaken; however Anvil is intending to complete further geological analyses and mineralogical investigations in order to further understand the nature of this mineralisation.

Density Sampling

During 2008 it became apparent that the assigned densities were at odds with those determined from mining and reconciliation studies. Following the identification of density measurements as a risk in the 2007 Feasibility Study, mining information was reviewed which indicated there was a discrepancy between the actual bulk density and the measured bulk density. Therefore a programme was instigated to collect and evaluate new and robust density information.

Investigations revealed that density applied in the Mineral Resource models up to 2007 had been based on density measurements made from core during the 2005/2006 drilling programmes.

Four in-pit bulk sample pits were subsequently excavated and surveyed and the excavated material was weighed and samples from each pit were tested in the site laboratory to determine moisture content and dry bulk density. The results of the in-pit bulk sample tests comprised: Tshifufiamashi TOB (-25m) 1.65t/m³; Tshifufia TOB (-25m) 1.51t/m³; Tshifufia TOB (-30m) 1.51t/m³; and Tshifufia UOB (-30m) 1.51t/m³.

As a result of these investigations, the procedures for continuing density measurements with drill core were changed. For subsequent block modelling and estimation, newly measured density from 19 drill-holes (1,696 samples) plus the four in-pit bulk sample estimates were used to assign density in the block modelling process.

Twining

Anvil also conducted a drilling programme aimed at twinning the RC and AC holes to determine whether the two sample types are comparable, have similar descriptive statistics, and therefore can be combined. A bias was identified at depths greater than 40m for the AC holes which may indicate that grade is being lost in the deeper AC holes, or that the AC holes have not been drilled deep enough to intersect the high grade mineralisation. No twinning has been undertaken between the RC / AC and DC drilling.

Sample Bias

Drilling and sampling methods were compared for potential bias across a similar Tshifufia volume using quantilequantile (“Q-Q”) plots. The comparison highlighted the difference in copper percentage between DD, RC and AC samples within the oxide domain which suggest that RC samples may possess a potential negative bias. As a result, current grade estimates, particularly for the oxidised material, may be slightly affected. This difference or potential bias will need to be investigated as a continuous improvement through a twinned drilling programme, heterogeneity testing and sampling observation for the various sources of sampling error.

There is no relationship between the sample length and the true thickness of the mineralisation. The mineralisation is significantly thicker than the average sample length. SRK considers that all samples are representative of their respective interval, and that no bias has been introduced by selective sampling. Further, SRK considers that there are no other factors that are expected to result in any significant bias.

Security of Samples

A geologist or geo-technician was on site during the entire drilling programme, and the handling of all sample material (chips and core) was under the direct control of the project geologist. All samples were bagged and labelled on site. Samples for sample preparation were transported from site to the Lubumbashi Exploration Office (or to Kitwe) by an Anvil vehicle, escorted by a geologist or geo-technician. They were dispatched to the ALS Chemex laboratory in Johannesburg or Actlabs in Australia by air freight (under normal airline security), after clearance through DRC customs.

6.2.2 Geological modelling and spatial domaining

Information generated from historical geological exploration mapping, in-pit mapping, geological drill-hole logging and SIROVISION has been considered in the 2010 Statements (Anvil).

The current approach relies on a simplification of the coding methodology with codes being determined for fault block, weathering and orezone (which are based on lithology). The mineralisation envelopes have also been remodelled as slightly smaller grade zones incorporating the additional drillhole data and grade control data to guide the resulting wireframes. The 1m composites were then assigned codes based on the simplified rock code system, and these domains were then used for statistical and geostatistical analyses.

String envelopes of the mineralisation were digitised along the drill lines using a 0.3%TCu to 0.7%TCu cut-off. The modelled mineralisation honours stratigraphy, lithology, structural

discontinuities and oxidation. The mineralised domains per fault block were further subdivided into a highly weathered zone, an oxide zone and a fresh sulphide zone. The highly weathered zone extends from below the base of soil cover to approximately 35m below surface.

The oxide zone, which includes the weathered zone, extends to the top of sulphide (chalcopyrite) mineralisation, with the fresh zone below this. The resulting domains were used to code the drill-hole data and empty block model for estimation. The de-surveyed three dimensional assay data was coded according to the mineralising volumes. Each sample interval was coded according to deposit, fault block, lithology, weathering and oxidation. The coded values were added to yield a unique domain number and a total of 37 domains resulted.

The distribution of input sample length data has guided the selection of a one metre composite length and approximately 60% of the input sample data had a one metre length. The domain coded and composited data were used for statistical analysis, variography and estimation.

Current open pit mining, conducted subsequent to the 2010 Statements (Anvil) has exposed a black shale sub-domain within the UOB oxide domain. The latest in-pit mapping suggests that this could represent up to 15% of the total oxide volume of mineralisation. The black shale's mineralisation comprises fine grained chalcocite, bornite and some pyrite typical of reducing conditions. As a result, poorer SX-EW recoveries may be expected due to finer grained mineralisation and lower acid soluble copper.

6.2.3 Statistical analysis and variography

The composite copper grades for each domain were analysed statistically. Statistics for total copper, acid soluble copper and cobalt were investigated with histograms and probability plots. The coefficient of variation of data within the respective mineralised domains is considered sufficiently low to support ordinary kriging.

Minimal top cutting was required, with only one domain having a copper top cut and three domains needing an ASCu top cut.

Variograms were generated from composited data located within the mineralised envelopes of each domain. Orientations were largely controlled by the strike of mineralisation. Variogram models for ASCu were related to those of TCu where there was insufficient confidence in the variogram structure to interpret a separate model. Sulphide domains with insufficient data used variogram models derived for the same lithology's oxide mineralisation.

Overall, the variogram nugget values and ranges of influence were clearly defined from the variography. Nugget values were close to 10% of the sill value and ranges of influence in the direction of maximum continuity varied from 50m to 180m.

6.2.4 Block modelling and interpolation

Block model

The block model dimensions and parameters were based on the defined geographic boundaries and average drill grid spacing. Sub-blocks were used to ensure that the block model honoured the domain geometries and volumes. Block estimates were controlled by the

original parent block dimension (10mE by 25mN by 5mRL) with sub-blocking allowed.

Grade Interpolation

Grades for total copper, acid soluble copper and cobalt were estimated into parent blocks using ordinary Kriging (“OK”) which was deemed an appropriate estimation technique owing to the near normal (Gaussian) distributions. Estimation parameters were based upon the variogram models, geological continuity and the average spatial distribution of the data. The first pass search radius was set to the variogram range to ensure good quality of local estimates for areas with close spaced drilling.

Soft boundaries were invoked between the sulphide and oxide domain in order to best represent the transitional nature of this boundary. All other boundaries between domains were hard.

For each domain, a minimum of eight samples was required for a single block estimate and a maximum of 30 samples was set to limit grade smoothing. Estimates were limited to a maximum of 10 samples per drill-hole.

Density Estimation

The domain and lithological coded block model was assigned average density values per domain. Due to poor recovery and increasing rock porosity for the more weathered core samples, density sample values were restricted to the partially weathered and fresh rock samples. This has resulted in robust average density values for the LOB and TOB, with insufficient samples for a robust average of the UOB and more shallow oxidised domains. The large bulk samples yield an adequately representative density value of 1.55t/m³ for the highly weathered material to a depth of 35m below surface. For the remaining oxidised domains, scatter plots of density versus depth below surface were employed to estimate a representative value. An average value of 1.82t/m³ was assigned to the material between 35m and the top of fresh rock.

The density value of the transitional material varies with depth, and accordingly Anvil has applied a factored estimate of the density, based on the core sample values plotted against depth, and factored these downwards slightly.

6.2.5 Validation

All block models are validated by comparing the composite grades with the model grades, and through a visual inspection of the block grades with the composite grades. There is a good correlation between the block grades and the composite grades when compared on section. The model was also interrogated as validation slices, where the grade per northing slice is compared with the average composite grade. There is good correlation between the composite and block grades, including a level of expected smoothing.

6.2.6 Classification

The classification approach is similar to that employed in earlier estimates and incorporates both geological and grade confidence. Geological confidence is enhanced through extensive open-pit exposure, in-pit mapping, 3D photo interpretation, and results from on-going blast-hole and grade control sampling, and geological mapping within the pit which supports the

interpretation from drilling. Grade confidence is enhanced through the detailed QAQC programme utilised by Anvil, along with geostatistical parameters such as kriging efficiency and slope of regression tests used as a guide for classification. Anvil produced updated series of "classification wireframes" which identified areas of higher confidence, as distinct from areas with lower confidence. The wireframes were then used to code the block model for reporting.

Overall, **Measured Mineral Resources** are defined in areas of drilling on 25m spacing along sections, and 25m to 50m between sections. **Indicated Mineral Resources** are defined in areas of drill spacing of 50m to 75m along section, and 50m between sections. **Inferred Mineral Resources** are defined in areas of 75m to 100m along section, and 100m between sections. The majority of material classified as Measured Mineral Resource remains located within the oxide zone. Indicated Mineral Resources are split between the oxide and fresh material and Inferred Mineral Resources are largely located within the fresh zone. This is a reflection of the drilling density within the deposit, where the material classified as Inferred Mineral Resource is located at depth.

6.2.7 Grade-Tonnage Analysis

Figure 6-1, Figure 6-2 and Figure 6-3 present the grade tonnage curves graphically for oxide Measured and Indicated Mineral Resources, total Oxide Mineral Resources and total sulphide Mineral Resources respectively. These are based on reporting within the block model (depleted to 1 October 2011) on an unconstrained (i.e. within the entire block model) basis and exclude all unclassified estimates which report within the block model.

Figure 6-1: Kinsevere Mine: Grade tonnage curve for the oxide (Measured and Indicated only) Mineral Resources

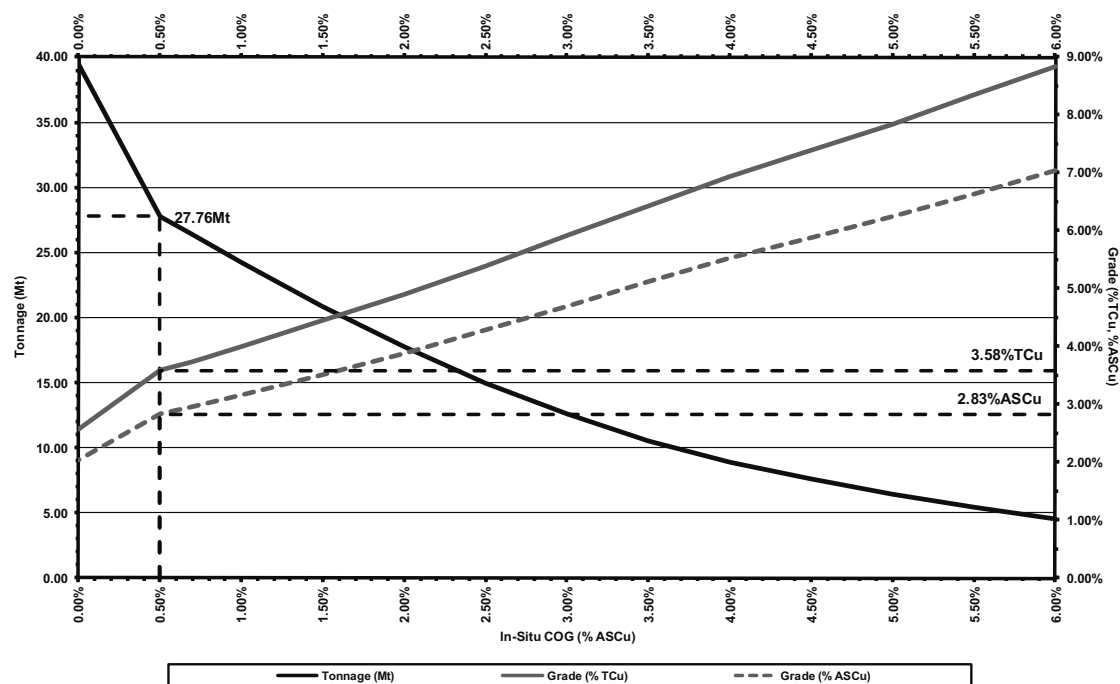


Figure 6-2: Kinsevere Mine: Grade tonnage curve for the oxide (total Mineral Resources) Mineral Resources

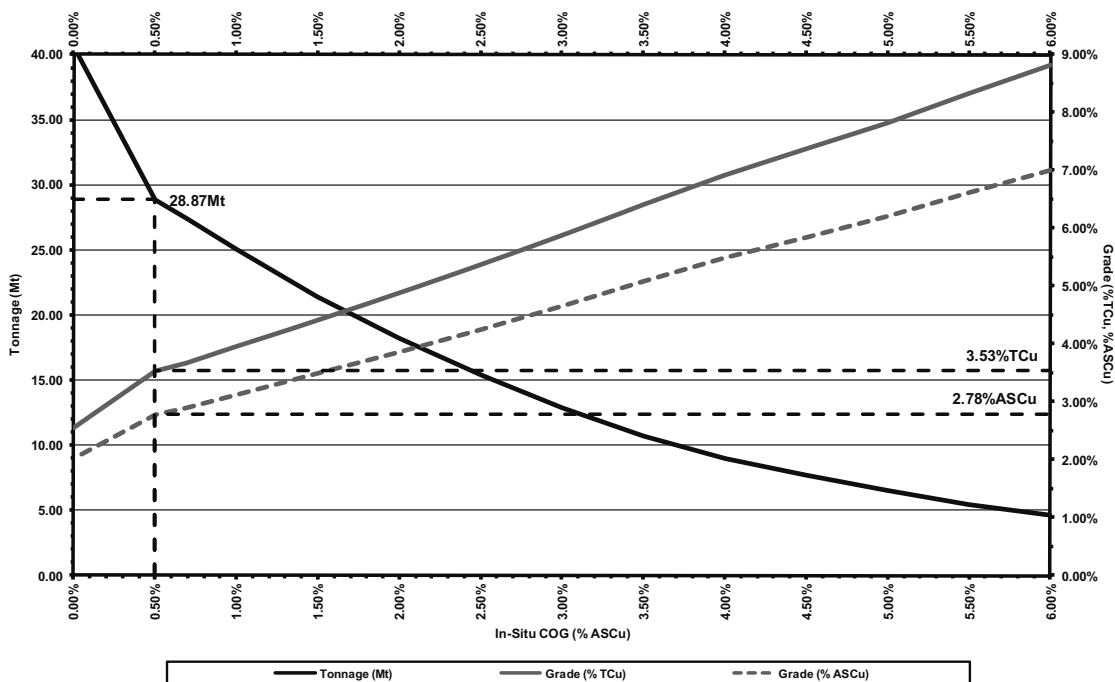
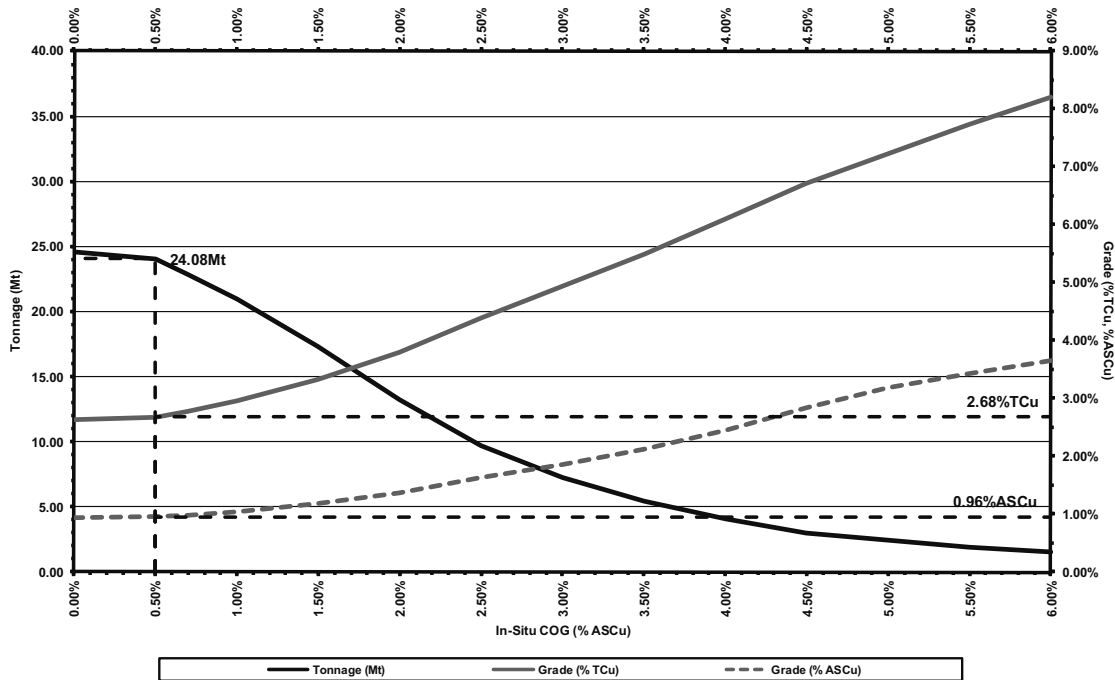


Figure 6-3: Kinsevere Mine: Grade tonnage curve for the sulphide (total) Mineral Resources



6.2.8 Economic Potential

The reporting of a Mineral Resource necessitates the application of an in-situ cut-off grade (“**ISCOG**”) which is based on the current status of technical information available. For the 2010 Statements (Anvil), Anvil has reported Mineral Resources unconstrained within the block model assuming an ISCOG of 0.50%TCu. Whilst there is no direct basis for consideration of this cut-off grade as applied to TCu, SRK notes that this is similar to the ASCu marginal cut-off grade for a long-term price assumption of US\$175/lb (Table 6-2).

Incorporating the revised assumptions as included in the latest LoMp plus the addition of closure costs, management fees, import duties and DRC Social Projects, SRK notes that on an equivalent basis of determination, this ISCOG increases to 0.86%ASCu.

The cut-off grades presented in (Table 6-2) represent: the operating cut-off grade (“**OCOG**”) which includes all operating expenditures required to realise all sales revenue from a tonne of RoM ore; and the marginal cut-off grade (“**MCOG**”) which excludes certain operating expenditures, specifically mining related expenditures.

SRK notes however that it has become general practice to distinguish between Mineral Resources which are potentially economically mineable by open-pit methods and those which are not. Accordingly, ‘optimisation’ analysis is generally undertaken using a combination of the following:

- All Measured, Indicated and Inferred Mineral Resources;
- The latest available operating cost and modifying parameters separately for oxide and sulphide Mineral Resources; and
- A price premium to the current long-term price which is typically 30% to 50% higher than the latest consensus market forecast.

Further to this, optimisation analysis is constrained by mineral licence boundaries and permanent surface infrastructure.

Table 6-2: Kinsevere Mine: cut-off grade analysis (Stage 2 optimisation assumptions)

Item	Units	CUT-OFF-GRADE ANALYSIS									
Optimisation - Inputs											
Copper Price	(US\$/lb)	50	75	100	125	143	150	175	200	225	250
	(US\$/t)	1,102	1,653	2,205	2,756	3,153	3,307	3,858	4,409	4,960	5,512
Direct Selling Costs	(US\$/t)	476	481	487	492	496	498	503	509	514	520
Metal Production Costs	(US\$/t)	752	752	752	752	752	752	752	752	752	752
Direct production and Selling Costs	(%)	68.2%	45.5%	34.1%	27.3%	23.9%	22.7%	19.5%	17.1%	15.2%	13.6%
GoDRC Royalty - effective	(%)	1.14%	1.42%	1.56%	1.64%	1.69%	1.70%	1.74%	1.77%	1.79%	1.81%
Gecamines Royalty	(%)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Deductions	(%)	71.85%	49.40%	38.17%	31.43%	28.04%	26.94%	23.73%	21.32%	19.45%	17.95%
NSR	(%)	28.15%	50.60%	61.83%	68.57%	71.96%	73.06%	76.27%	78.68%	80.55%	82.05%
Opex On-Mine											
Mining Cost	(US\$/t _{mined})	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Processing Costs	(US\$/t _{proc})	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01
Overheads	(US\$/t _{proc})	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	(US\$/t_{proc})	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71
Modifying Factors											
MRF	(%)	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%
Payability	(%)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mining Loss	(%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dilution ⁽¹⁾	(%)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
RoM COG											
Recoverable Revenue	(%)	25.9%	46.6%	57.0%	63.2%	66.3%	67.3%	70.3%	72.5%	74.2%	75.6%
	(US\$/t)	286	771	1,256	1,741	2,090	2,226	2,711	3,196	3,681	4,167
Opex On-Mine - OCOG	(US\$/t)	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71
Opex On-Mine - MCOG	(US\$/t)	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01
OCOG	(%ASCu)	5.49%	2.04%	1.25%	0.90%	0.75%	0.71%	0.58%	0.49%	0.43%	0.38%
MCOG	(%ASCu)	4.20%	1.56%	0.96%	0.69%	0.57%	0.54%	0.44%	0.38%	0.33%	0.29%
In-Situ COG											
Recoverable Revenue	(%)	25.9%	46.6%	57.0%	63.2%	66.3%	67.3%	70.3%	72.5%	74.2%	75.6%
	(US\$/t)	286	771	1,256	1,741	2,090	2,226	2,711	3,196	3,681	4,167
Opex On-Mine - OCOG	(US\$/t)	16.49	16.49	16.49	16.49	16.49	16.49	16.49	16.49	16.49	16.49
Opex On-Mine - MCOG	(US\$/t)	12.61	12.61	12.61	12.61	12.61	12.61	12.61	12.61	12.61	12.61
OCOG	(%ASCu)	5.77%	2.14%	1.31%	0.95%	0.79%	0.74%	0.61%	0.52%	0.45%	0.40%
MCOG	(%ASCu)	4.41%	1.64%	1.00%	0.72%	0.60%	0.57%	0.47%	0.39%	0.34%	0.30%

⁽¹⁾ Net Smelter Return ("NSR"); Metallurgical Recovery Factor ("MRF"); Run-of-Mine ("RoM").

The Mineral Resources (excluding stockpiles) included in the 2011 Statements (SRK Depleted) are reported at an ISCOG of 0.5%TCu within an unconstrained block model. This comprises a combined oxide and sulphide Mineral Resource of 52.94Mt grading 3.14%TCu. Of this quantum some 28.87Mt grading 3.53%TCu reports as oxide material and 24.08Mt grading 2.68%TCu as sulphide material.

Application of an alternative approach to determine that portion of the current Mineral Resource statement which would be economically mineable by open-pit methods would necessitate a revised optimisation as noted above with consideration for reporting at an assumed long-term copper price of say US\$325/lb (representing a 30% premium to the current LTP included in the CMF of US\$249/lb).

Table 6-3 below presents the results from various analyses undertaken by Anvil which provide an indication of the potential economic portion of the current Mineral Resource. SRK considers that in order for around 60% of this quantum to be potentially economic then reliance on commodity price assumptions in excess of US\$250/lb is necessary. No recent studies have been undertaken to indicate what long-term copper price assumptions and associated operating costs and modifying factors are required to be attained in order to render greater portions of the current Mineral Resource as being potentially economic.

Table 6-3: Kinsevere Mine: Mineral Resource reporting economic constraints analysis

Consideration	Tonnage (kt)	Grade		Content	
		(%TCu)	(%ASCu)	(ktTCu)	(ktASCu)
Block Model Mineral Resource ⁽¹⁾	53,515	3.16%	1.97%	1,689	1,054
Block Model Mineral Resource ⁽²⁾	28,328	3.60%	2.85%	1,020	807
Block Model Mineral Resource ⁽³⁾	29,438	3.55%	2.80%	1,045	824
Optimisation ⁽⁴⁾	23,899	4.04%	3.26%	988	778
Optimisation ⁽⁵⁾	26,353	3.85%	3.09%	1,014	814
Stage 3 Development ⁽⁶⁾	26,500	3.60%	2.85%	955	755
90ktpa expansion ⁽⁷⁾	30,901	3.50%	2.76%	1,083	854

⁽¹⁾ Unconstrained Block Model Measured, Indicated and Inferred Mineral Resources; commodity price (0.50%TCu); oxide and sulphide ore.

⁽²⁾ Unconstrained Block Model Measured and Indicated Mineral Resources; commodity price (0.50%TCu); oxide ore only.

⁽³⁾ Unconstrained Block Model Measured, Indicated and Inferred Mineral Resources; commodity price (0.50%TCu); oxide ore only.

⁽⁴⁾ Optimisation shell: Measured and Indicated Mineral Resources; commodity price US\$175/lb (0.47%TCu); oxide ore only.

⁽⁵⁾ Optimisation shell: Measured and Indicated Mineral Resources; commodity price US\$332/lb; oxide ore only.

⁽⁶⁾ Optimisation shell: Measured, Indicated and Inferred Mineral Resources; commodity price (US\$143/lb); oxide and sulphide ore.

⁽⁷⁾ Optimisation shell: Measured, Indicated and Inferred Mineral Resources; commodity price (US\$240/lb); oxide ore.

6.2.9 Mineral Resource Statements

The 2011 Mineral Resource statement for Kinsevere Mine (Table 6-4) has been derived by SRK from the 2010 Statements (Anvil) after accounting for depletion to 1 October 2011. The 2011 Mineral Resource is reported at an ISCOG of 0.5%TCu and derived from an unconstrained block model and amounts to 57.46Mt grading 3.06%TCu, 1.95%ASCu and 0.14%Co which comprises:

- oxide Mineral Resource of 28.87Mt grading 3.53%TCu, 2.78%ASCu and 0.16%Co;
- sulphide Mineral Resource of 24.08Mt grading 2.68%TCu, 0.96%ASCu and 0.14%Co;
- stockpile (comprising RoM stockpiles, floats and effluents) Mineral Resource reports 4.51Mt grading 2.14%TCu and 1.90%ASCu.

Table 6-5 provides the detail contribution of individual stockpiles. This differs from the projected total of 2.66Mt grading 1.92%TCu and 1.61%ASCu reported by Anvil for the period ending 31 December 2010 due to adjustments for additions to 30 September 2011 and also inclusion of stockpiled floats and effluents from the HMS Plant (1.51Mt grading 2.29%TCu) to provide a revised total of 4.51Mt grading 2.14%TCu and 1.90%ASCu.

All 2011 Mineral Resources as below are:

- reported in accordance with the terms and definitions of the JORC Code;
- reported at 1 October 2011;
- reported inclusive of those Mineral Resources modified for reporting of Ore Reserves; and
- reported with respect to 100% of the Kinsevere Mine.

Table 6-4: Kinsevere Mine: Mineral Resource 2011 Statement (SRK Depleted), 1 October 2011⁽¹⁾

Mineral Resources	Tonnage (kt)	Grades			Content		
		(%TCu)	(%ASCu)	(%Co)	(ktTCu)	(ktASCu)	(ktCo)
Measured							
Tshifufia – oxide	11,245	4.45%	3.45%	0.23%	501	388	26
Tshifufiamashi – oxide	3,184	3.19%	2.64%	0.24%	102	84	8
Sulphides	2,308	2.36%	1.11%	0.15%	55	26	3
Subtotal	16,736	3.92%	2.98%	0.22%	657	498	37
Indicated							
Tshifufia – oxide	3,454	3.65%	2.65%	0.15%	126	92	5
Tshifufiamashi – oxide	2,952	2.66%	1.98%	0.17%	79	58	5
Kinsevere Hill – oxide	6,930	2.71%	2.37%	0.03%	188	164	2
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphides	9,555	2.75%	1.08%	0.14%	263	103	14
Subtotal	27,403	2.74%	1.84%	0.09%	752	504	26
Measured+Indicated							
Tshifufia – oxide	14,698	4.26%	3.27%	0.21%	627	480	31
Tshifufiamashi – oxide	6,135	2.94%	2.32%	0.21%	180	142	13
Kinsevere Hill – oxide	6,930	2.71%	2.37%	0.03%	188	164	2
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphides	11,862	2.68%	1.09%	0.14%	317	129	17
Total	44,139	3.19%	2.27%	0.14%	1,409	1,002	62
Inferred							
Tshifufia – oxide	654	2.19%	1.37%	0.12%	14	9	1
Tshifufiamashi – oxide	448	2.27%	1.80%	0.15%	10	8	1
Sulphides	12,215	2.68%	0.83%	0.13%	327	101	16
Subtotal	13,317	2.64%	0.89%	0.13%	352	118	18
Mineral Resources							
Tshifufia – oxide	15,353	4.18%	3.19%	0.21%	641	489	32
Tshifufiamashi – oxide	6,584	2.89%	2.29%	0.20%	190	151	13
Kinsevere Hill – oxide	6,930	2.71%	2.37%	0.03%	188	164	2
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphides	24,077	2.68%	0.96%	0.14%	645	230	33
Total	57,456	3.06%	1.95%	0.14%	1,761	1,120	80

⁽¹⁾ The tonnage weighted average density of the block model derived oxide Mineral Resource and sulphide Mineral Resource is 1.77t/m³ (Tshifufia – 1.80t/m³; Tshifufiamashi – 1.79t/m³; Kinsevere Hill – 1.69t/m³) and 2.32t/m³ (Tshifufia – 2.32t/m³; Tshifufiamashi – 2.31t/m³) respectively.

Table 6-5: Kinsevere Mine: Stockpile Mineral Resource 2011 Statement (SRK Depleted), 1 October 2011

Mineral Resources	Tonnage (kt)	Grades			Content		
		(%TCu)	(%ASCu)	(%Co)	(ktTCu)	(ktASCu)	(ktCo)
Indicated							
HG	27	4.26%	3.20%	-	1	1	-
MG New	1,213	3.44%	2.86%	-	42	35	-
LG	1,768	1.10%	0.88%	-	20	16	-
Floats	493	2.58%	2.58%	-	13	13	-
Effluents	1,012	2.15%	2.15%	-	22	22	-
Total	4,513	2.14%	1.90%	-	97	86	-

6.2.10 Historical Mineral Resource statements

Table 6-6 presents the historical Mineral Resource estimates for Kinsevere Mine which indicates a largely static oxide contribution from 2008 onwards with a substantially increasing sulphide contribution from 2009 onwards. Acid soluble grades for 2005 through 2008 were not publically reported in Anvil's annual reports and Annual Information Forms ("AIF"). Stockpile contributions are recorded from 2007 onwards which reflect the onset of mining operations, processing through the HMS Plant and stockpiling for SX-EW processing.

SRK notes that the statements for 2005 through 2010 inclusive are as reported by Anvil and the 2011 Statements (SRK Depleted) are derived by depletion adjustments made by SRK. All Mineral Resources are reported within an unconstrained block model at an ISCOG of 0.50%TCu with the exception of 2008 and 2009 which assumed an ISCOG of 0.70%TCu.

Table 6-6: Kinsevere Mine: Mineral Resource historical statements

Statistics	Units	2005 Dec	2006 Dec	2007 Dec	2008 Dec	2009 Dec	2010 Dec	2011 Oct
Oxide								
Tonnage	(kt)	8,416	25,670	34,960	31,300	27,280	30,070	28,866
Measured	(kt)	-	6,010	17,570	9,650	9,340	15,570	14,428
Indicated	(kt)	5,700	14,080	14,790	20,110	16,400	13,390	13,335
Inferred	(kt)	2,716	5,580	2,600	1,540	1,540	1,110	1,103
Grade	(%TCu)	4.14%	4.44%	3.68%	3.78%	3.78%	3.55%	3.53%
Measured	(%TCu)	-	4.40%	3.97%	4.13%	4.12%	4.17%	4.17%
Indicated	(%TCu)	3.69%	4.22%	3.41%	3.61%	3.59%	2.93%	2.94%
Inferred	(%TCu)	5.09%	5.04%	3.29%	3.85%	3.85%	2.22%	2.22%
Grade	(%ASCu)	-	-	-	-	3.12%	2.80%	2.78%
Measured	(%ASCu)	-	-	-	-	3.52%	3.28%	3.27%
Indicated	(%ASCu)	-	-	-	-	2.92%	2.35%	2.36%
Inferred	(%ASCu)	-	-	-	-	2.81%	1.54%	1.54%
Sulphide								
Tonnage	(kt)	-	15,340	15,340	12,640	16,400	24,160	24,077
Measured	(kt)	-	-	-	-	60	2,290	2,308
Indicated	(kt)	-	-	-	-	3,700	9,570	9,555
Inferred	(kt)	-	15,340	15,340	12,640	12,640	12,300	12,215
Grade	(%TCu)	-	2.85%	2.85%	3.54%	3.58%	2.67%	2.68%
Measured	(%TCu)	-	-	-	-	2.16%	2.36%	2.36%
Indicated	(%TCu)	-	-	-	-	3.73%	2.75%	2.75%
Inferred	(%TCu)	-	2.85%	2.85%	3.54%	3.54%	2.66%	2.68%
Grade	(%ASCu)	-	-	-	-	1.98%	1.21%	0.96%
Measured	(%ASCu)	-	-	-	-	0.97%	1.11%	1.11%
Indicated	(%ASCu)	-	-	-	-	2.43%	1.08%	1.08%
Inferred	(%ASCu)	-	-	-	-	1.85%	1.33%	0.83%
Stockpile								
Tonnage	(kt)	-	-	896	2,688	2,400	2,660	4,513
Measured	(kt)	-	-	896	-	-	-	-
Indicated	(kt)	-	-	-	2,688	2,400	2,660	4,513
Inferred	(kt)	-	-	-	-	-	-	-
Grade	(%TCu)	-	-	2.60%	2.72%	1.99%	1.92%	2.14%
Measured	(%TCu)	-	-	2.60%	-	-	-	-
Indicated	(%TCu)	-	-	-	2.72%	1.99%	1.92%	2.14%
Inferred	(%TCu)	-	-	-	-	-	-	-
Grade	(%ASCu)	-	-	-	-	1.67%	1.61%	1.90%
Measured	(%ASCu)	-	-	-	-	-	-	-
Indicated	(%ASCu)	-	-	-	-	1.67%	1.61%	1.90%
Inferred	(%ASCu)	-	-	-	-	-	-	-

6.2.11 Grade control and reconciliation

The grade control programme at Kinsevere Mine involves drill-hole sampling over 2.5m intervals within the ore zones of the Tshifufia and Tshifufiamashi open-pits. The samples are collected from 102mm diameter drill-holes (using the blasthole drilling rig), drilled on a 5m burden and a 4.5m spacing. The ore (and waste) boundaries are consistent with the stockpile grade ranges. In addition, Anvil is currently undertaking a close spaced RC drilling programme to improve confidence and knowledge in key areas of the model. The RC drilling campaign aims to support grade control modelling and supplement grade control data collected from continued blasthole sampling. The RC data is also used in the Mineral Resource updates, as the samples are subjected to the required QAQC procedures including standards, blanks and duplicates.

Historical reconciliations at Kinsevere Mine were undertaken based on data gathered from 2007 through 2009. These indicated a positive bias when comparing the then mineral resource models to both grade control and mining production, however owing to concerns regarding both density estimates and the accuracy of mining production statistics no adjustments were considered appropriate at this stage.

Anvil's grade control model ("**GC Model**") has been used to complete reconciliations to the mineral resource model ("**MR Model**"). The current grade control procedures have been implemented with guidance from Optiro, who have implemented a standardised grade control

modelling methodology and the data includes the results of RC drilling and in-pit mapping to October 2010. This is the first model to be used for production purposes, as previous grade control models required modifications to the variography and search ellipse parameters prior to estimation. A reconciliation period of November 2010 to March 2011 was chosen by Anvil.

Table 6-7 presents the results of the reconciliation exercise undertaken by Anvil. The 5-month comparison between MR Model, GC Model and mining production statistics which indicates the following:

- A 6% reduction in total copper metal when compared with the MR Model; and
- A further 2% reduction in total copper metal when comparing the GC Model with mining production.

Table 6-7: Kinsevere Mine: Reconciliation analysis

Model	Volume ('000BCM)	Density (t/m ³)	Tonnage (kt)	Grade (%TCu)	Content (tTCu)
MR Model	237	1.79	425	3.29%	13,954
GC Model	201	1.80	362	3.61%	13,050
Mining Production	232	1.79	415	3.09%	12,833
Reconciliation					
MR Model to GC Model	-15.09%	0.34%	-14.80%	9.77%	-6.48%
GC Model to Mining Production	15.12%	-0.31%	14.76%	-14.31%	-1.66%

Anvil considers the reduction in total metal from the MR Model to be a result of changes to the mineralisation envelope through the closer spaced grade control drilling allowing a more detailed interpretation to be made. The comparison indicates that the content of TCu between the MR Model and the GC Model reconciles within -6.48% and that the content of TCu between the GC Model and mining production reconciles within -1.66%, giving rise to a total reconciliation of approximately -8% between the MR Model and mining production. Anvil states that the reconciliation process is not applicable to a time period of less than 5 months, due to the depth mined relative to the 5m block height.

To date, the production reconciliation has been limited to mining information and not processing statistics. Therefore before considering an 8% reduction in total metal content in the MR Model, further review of the associated reconciliation variables including an extension of the reconciliation timeframe is required.

6.3 Ore Reserve Estimation and Classification

The Ore Reserve estimation process relies on similar processes and procedures as employed for historical statements at Kinsevere Mine. These largely rely on application of open-pit optimisation techniques applied to the underlying block models for each deposit and incorporate the following:

- Selection of appropriate technical inputs including operating expenditures, modifying factors (including mining losses, dilution and dilutant), metallurgical recoveries, long-term commodity prices and geotechnical parameters;
- Preliminary optimisation using the Whittle Four-X software;
- Assessment of the potential sitting of haul-ramps and re-running the optimisation to allow for flatter slope angles;
- Ultimate shell and staged pit shell selection;

- Mine design and production scheduling; and
- Reporting of Ore Reserves following completion of all supporting technical studies.

External consultants are directly engaged for optimisation, mine design, production scheduling, Ore Reserve estimation and reporting. Notwithstanding this, SRK notes that the waste dump optimisation process has effectively not been updated since completion of the original 2007 Feasibility Study. Accordingly this requires further work to align with the latest production scheduling which will most likely result in a reduced footprint.

6.3.1 Modifying factors

The open-pit optimisation has assumed mining dilution of 5% with a dilutant of 0.00%TCu, 0.00%ASCu and 0.00%Co and a mining loss of 0%. These factors reflect the combined consideration of the dimensions of the mining excavator buckets, the 2.5m flitch height, the dip of the ore horizons and the good visual control between ore and waste rock types.

6.3.2 Optimisation input parameters

The optimisation input parameters relied on for the derivation of the 2011 Statements (SRK Depleted) are as follows:

- **Commodity Prices:** Assumed a LTP for copper of US\$175/lb corresponding to a revenue factor of 1.00;
- **Metallurgical Recovery Factor ("MRF")** assumed as 92.14% of acid soluble copper;
- Overall **slope angles** based on the inter-ramp angles recommended by Turner which assume 40° with the exception of 32° from for Tshifufiamashi pit west wall below 40m; and
- **Operating Expenditure:**
 - Mining Costs at US\$6.26/BCM including load and haul, day works and drill and blast. Grade control costs are estimated at US\$0.25/t which is included in the variable processing costs,
 - Stage 2 variable processing costs of US\$12.01/t; and
 - Metal Costs totalling US\$1,429/tCu and comprising: SX-EW of US\$752/tCu; Marketing/Transport/Export of US\$503/tCu; and Royalties of US\$174/tCu.

Table 6-8 presents a summary of the optimisation input parameters compared to those in the current LoMp which indicated the following increases: mining costs (11%); process + overhead costs (62%); and product related costs (33%).

Table 6-8: Kinsevere Mine: operating input costs comparison

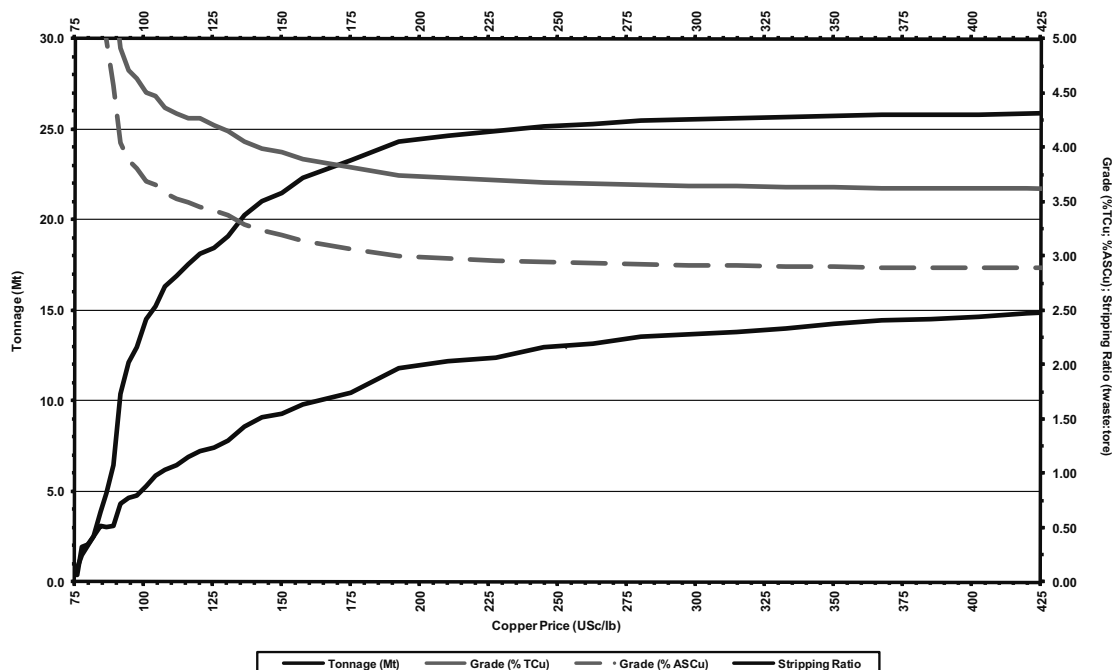
Activity	Units	Optimisation	LoMp
Mining Costs	(US\$/BCM)	6.26	6.96
Process + Overhead Costs	(US\$/t)	12.01	19.48
Product Related Costs	(US\$/tCu)	1,255	1,664
Royalties	(US\$/tCu)	174	174

The potential impact of updating the optimisation assumptions to those included in the LoMp has not been assessed by Anvil. Analysis of the Ore Reserve sensitivities indicates that should a re-optimisation exercise be undertaken at the same copper price of US\$175/lb the revised Ore Reserves may be reduced by some 15%.

6.3.3 Preliminary Optimisation analyses

Figure 6-4 gives the results of the optimisation analysis for the combined, Tshifufia, Tshifufiamashi and Kinsevere Hill deposits. This preliminary analyses as reported includes the impact of the design efficiency factors (raw optimisation to design). The long-term price assumptions adopted for the optimisation analysis was US\$175/lb which corresponded to a revenue factor of 1.00. The ultimate raw optimisation shell chosen for subsequent design corresponds to a revenue factor of 0.82 which corresponds to a copper price of US\$143/lb. Within this shell however processed tonnes are derived from consideration of a copper price of US\$175/lb resulting in a marginal cut-off grade of 0.56%ASCu.

Figure 6-4: Kinsevere Mine: Preliminary optimisation analysis for all deposits



6.3.4 Ore Reserve statements

The 2011 Ore Reserve statement for Kinsevere Mine (Table 6-9) has been derived by SRK from the 2010 Statements (Anvil) by accounting for depletion to 1 October 2011. The total 2011 Ore Reserves is reported at an ISCOG of 0.56%ASCu (assuming a copper price of US\$175/lb) and derived from an engineered design pit derived from a raw optimised shell corresponding to a copper price of US\$143/lb.

The 2011 Ore Reserves reported at 1 October 2011 totals approximately 25.54Mt grading 3.67%TCu and 3.00%ASCu of which approximately 21.02Mt grading 3.99%TCu and 3.24%ASCu are sourced from the open-pits and approximately 4.51Mt grading 2.14%TCu and 1.90% from various surface stockpiles.

Table 6-10 presents the Ore Reserve sensitivity derived by factorisation of raw open-pit shells between US\$143/lb and US\$300/lb.

APPENDIX IV COMPETENT PERSON'S REPORT AND VALUATION REPORT

All Ore Reserves as presented below are: reported in accordance with the terms and definitions of the JORC Code; reported at 1 October 2011; and are reported with respect to 100% of the Kinsevere Mine.

Table 6-9: Kinsevere Mine: Ore Reserve 2011 Statement (SRK Depleted), 1 October 2011

Ore Reserves	Tonnage (kt)	Grades (%TCu)	(%ASCu)	Content (ktTCu)	(ktASCu)
Proved					
Tshifufia	10,924	4.52%	3.55%	494	388
Tshifufiamashi	2,709	3.32%	2.81%	90	76
Subtotal	13,633	4.28%	3.40%	583	464
Probable					
Tshifufia	1,840	4.60%	3.52%	85	65
Tshifufiamashi	1,003	3.07%	2.57%	31	26
Kinsevere Hill	4,546	3.10%	2.77%	141	126
Stockpiles	4,513	2.14%	1.90%	97	86
Subtotal	11,902	2.97%	2.54%	353	302
Ore Reserves					
Tshifufia	12,764	4.53%	3.55%	578	453
Tshifufiamashi	3,712	3.25%	2.74%	121	102
Kinsevere Hill	4,546	3.10%	2.77%	141	126
Stockpiles	4,513	2.14%	1.90%	97	86
Total	25,536	3.67%	3.00%	936	766

⁽¹⁾ The corresponding ultimate pit depths are: Tshifufia (150m below surface); Tshifufiamashi (120m below surface); and Kinsevere Hill (85m below surface).

Table 6-10: Kinsevere Mine: Ore Reserve (excluding stockpiles) Sensitivity, 1 October 2011

Ore Reserves	Units	Copper Price					
		143 (US\$/lb)	175 (US\$/lb)	225 (US\$/lb)	250 (US\$/lb)	275 (US\$/lb)	300 (US\$/lb)
Revenue Factor ("RF")		0.72	0.82	1.00	1.10	1.10	1.10
Corresponding Price for RF	(US\$/lb)	102	143	225	275	303	330
Tonnage	(kt)	17,622	21,022	24,241	25,754	25,996	26,180
Grade	(%TCu)	4.35%	3.99%	3.70%	3.58%	3.55%	3.53%
Grade	(%ASCu)	3.56%	3.24%	2.96%	2.86%	2.84%	2.82%
Content	(ktTCu)	766	840	896	922	924	925
Content	(ktASCu)	627	680	718	736	737	738
Waste	(kt)	23,836	31,846	39,355	46,267	45,988	46,173
Stripping Ratio	(twaste:tore)	1.35	1.51	1.62	1.80	1.77	1.76

6.3.5 Historical Ore Reserve Estimates

Table 6-11 presents the historical Ore Reserve estimates for Kinsevere Mine which comprises solely of oxide and stockpile (RoM oxide, floats and effluent) sources. Ore Reserves were first declared in 2006 and total oxide Ore Reserves have increased since 2008 with TCu grades marginally declining since 2009. Acid soluble grades for 2007 through 2008 were not publically reported in Anvil's annual reports and AIFs. Stockpile contributions are recorded from 2007 onwards which reflect the onset of mining operations, processing through the HMS Plant and stockpiling for SX-EW processing.

SRK notes that the statements for 2005 through 2010 inclusive are as reported by Anvil and the 2011 Statements (SRK Depleted) are derived by depletion adjustments made by SRK.

Table 6-11: Kinsevere Mine: Ore Reserve historical statements

Statistics	Units	2006 Dec	2007 Dec	2008 Dec	2009 Dec	2010 Dec	2011 Oct
Oxide							
Tonnage	(kt)	17,806	25,000	17,514	18,410	22,130	21,022
Proved	(kt)	6,041	15,700	8,513	8,790	14,740	13,633
Probable	(kt)	11,765	9,300	9,001	9,620	7,390	7,389
Grade	(%TCu)	4.41%	4.04%	3.97%	4.14%	3.97%	3.99%
Proved	(%TCu)	4.41%	4.05%	4.00%	4.01%	4.22%	4.28%
Probable	(%TCu)	4.41%	4.03%	3.95%	4.26%	3.47%	3.47%
Grade	(%ASCu)	3.98%	-	-	3.53%	3.22%	3.24%
Proved	(%ASCu)	3.97%	-	-	3.45%	3.37%	3.40%
Probable	(%ASCu)	3.99%	-	-	3.59%	2.93%	2.93%
Stockpile							
Tonnage	(kt)	-	896	2,688	2,400	2,660	4,513
Proved	(kt)	-	896	-	-	-	-
Probable	(kt)	-	-	2,688	2,400	2,660	4,513
Grade	(%TCu)	-	2.60%	2.72%	1.99%	1.92%	2.14%
Proved	(%TCu)	-	2.60%	-	-	-	-
Probable	(%TCu)	-	-	2.72%	1.99%	1.92%	2.14%
Grade	(%ASCu)	-	-	-	1.67%	1.61%	1.90%
Proved	(%ASCu)	-	-	-	-	-	-
Probable	(%ASCu)	-	-	-	1.67%	1.61%	1.90%

6.4 Exploration Programmes and Exploration Targets

The oxidised deposits at Kinsevere Mine are well constrained to a depth of approximately 110m below surface. Infill drilling has been undertaken to improve the Mineral Resource classification within these volumes and this is now complete for Tshifufia and Tshifufiamashi. Kinsevere Hill is currently classified as Indicated Mineral Resources and Anvil estimates that an additional 30% of drilling is required to increase the reporting confidence. Below 110m, the mineralisation changes from oxide to sulphide and the depth of the sulphide mineralisation is currently open for approximately 30% of the oxidised strike length at Tshifufiamashi and 50% at Tshifufia. There is limited potential for lateral extensions where the orebody extents are adequately defined.

The deepest sulphide intersections are noted at approximately 340m below surface and as a result, drilling to adequately define this is underway and estimated to be approximately 50% complete. Kinsevere Hill is however characterised by shallow oxide type mineralisation with limited evidence for deeper sulphide mineralisation.

Anvil re-established its exploration capability during the first quarter and continues to target the area around the Kinsevere Mine with specific focus on sulphide mineralisation. Exploration cash expenditure for H1 2011 is approximately US\$2.3m, with Anvil's total 2011 estimate being less than the US\$10.0m budgeted, due to delays in contractor mobilization and drill-rig availability which resulted in later-than-expected commencement of work at Kinsevere Mine.

6.4.1 Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. In accordance with Clause 18.1 of the JORC Code however, SRK notes that such information relating to Exploration Targets ("ETs") must be expressed so that it cannot be misrepresented or misconstrued as an estimate of Mineral Resources or Ore Reserves.

To date, Anvil is currently exploring both within the Kinsevere Mine mineral licence and in the wider region, however to date Anvil has not reported any specific ETs in accordance with Clause 18.1 of the JORC Code.

6.4.2 Exploration Programme Details

Kinsevere Mine Sulphides Project

The total sulphide Mineral Resource reported at Kinsevere Mine is estimated at 24.08Mt grading 2.68%TCu and 0.96%ASCu. During June 2011, Anvil commenced further drilling to both expand and increase the geological confidence in that declared to date. As at 30 September 2011, a total of 5,530m in 34 holes had been drilled, with core being logged and stored for assaying at an on-site laboratory operated by an international laboratory services company and overseen by African Mining Consultants. Following completion of the drill programme an evaluation of development options is planned during H1 2012 (Figure 6-7).

PR7274

Pursuant to an Option Agreement, AMCK has the right to acquire the exploration permit PR7274, which expires in July 2012. AMCK has exercised this right, however the process of transferring title to AMCK is not expected to be completed until some stage prior to the end of March, 2012.

Early stage drilling in the area covered by PR7274 indicated the presence of minor sulphides and oxides. However, due to the early stage of exploration and PE7274's lack of current Mineral Resources and Ore Reserves, the Company has advised SRK that it is not appropriate to report further on PR7274.

Kinsevere Mine Regional Project

Anvil continues to target the area within a 50km radius (Figure 6-8) of the Kinsevere Mine to identify tenement acquisition opportunities. On those tenements in which Anvil has acquired an interest, further termite mound sampling and geochemistry programmes have been carried out, with drill programmes to be selected from any significant geochemical anomalies. Assay results from work carried out to date are expected to be available the end of 2011.

Following review of a copper anomaly identified in an area located immediately to the east of the Kinsevere Hill deposit, it has been determined that further drill testing is appropriate, in order to target the source of the anomaly at depth. A drilling programme is currently being prepared and commenced in December 2011.

A reconnaissance drilling programme has been completed at Likasi, located approximately 80km north-west of Kinsevere Mine, where Anvil has held an exploration property for some time. Samples are currently being prepared prior to dispatch for analysis in South Africa and no assay results have yet been received. Further drilling will be undertaken during the 2012 dry season.

6.5 Summary Comments, Risks and Opportunities

SRK considers that the 2011 Statements (SRK Depleted) are reported in accordance with the JORC Code and in general the supporting estimations are appropriately classified and unbiased. Notwithstanding this there remain a number of items which require further analysis.

Black Shales

Carbonaceous shale units termed SD Black Shale have been intersected during mining operations, specifically within the UOB, which has not been defined as a separate sub-domain of mineralisation within the current geological model. Recovery of this material in the SX-EW process is dependent upon the ratio of ASCu/TCu which ranges from 0.8 for oxide material to 0.2 for sulphide material. Preliminary analysis indicates that the SD Black Shale unit could represent up to 15% of the modelled oxide material representing 11% of the total contained ASCu. Assuming that 50% of the material could be classified as oxide material a reduction in ASCu metal content of around 5.5% could be considered appropriate. Anvil also considers that the RC sampling is (-19%) negatively biased compared with diamond hole sampling due to the loss of fines on intersecting this material and therefore any reduction could be reduced by 4.0%.

Reconciliation

The reconciliation exercise to date has indicated a total reduction of 8% in total copper metal when comparing the Mineral Resource model with mining production statistics. This is however preliminary in nature and only based on 5 months of mining which has not yet been reconciled with SX-EW Plant performance statistics.

Uranium

Various uranium and thorium assay results were undertaken in calendar 2007 and 2008 and samples ranged from 10ppm to a maximum of 2,070ppm. At Tshifufiamashi elevated uranium values were identified at depth of approximately 360m to 380m below surface and at the Tshifufia pit at a depth of between 100m and 250m below surface. Whilst these lie outside of the current design pits within which the Ore Reserves are reported, further work is required to understand the nature and distribution of these occurrences.

Mineral Resource Reporting

Mineral Resource reporting at Kinsevere Mine assumed application of an ISCOG of 0.5%TCu to an unconstrained block model which results in the reporting of 52.94Mt grading 3.14%TCu and 1.95%ASCu. A revised approach to reporting of Mineral Resources through defining that which is economically mineable by open-pit methods is likely to result in a reduction in the current statements.

Ore Reserve Reporting

Anvil currently does not include all stockpiled material in its Ore Reserve declarations. In addition to stockpiled RoM material, both floats and effluents stockpiles are planned to be processed and reported in the 2011 Statements (SRK Depleted).

The optimisation operating expenditure input parameters used to support the 2011 Statements (SRK Depleted) are lower than that currently reflected in the LoMp forecasts. A

high level assessment indicates that should a revised optimisation be completed at the currently assumed optimisation copper price of US\$175/lb the oxide Ore Reserves may be reduced by some 15%.

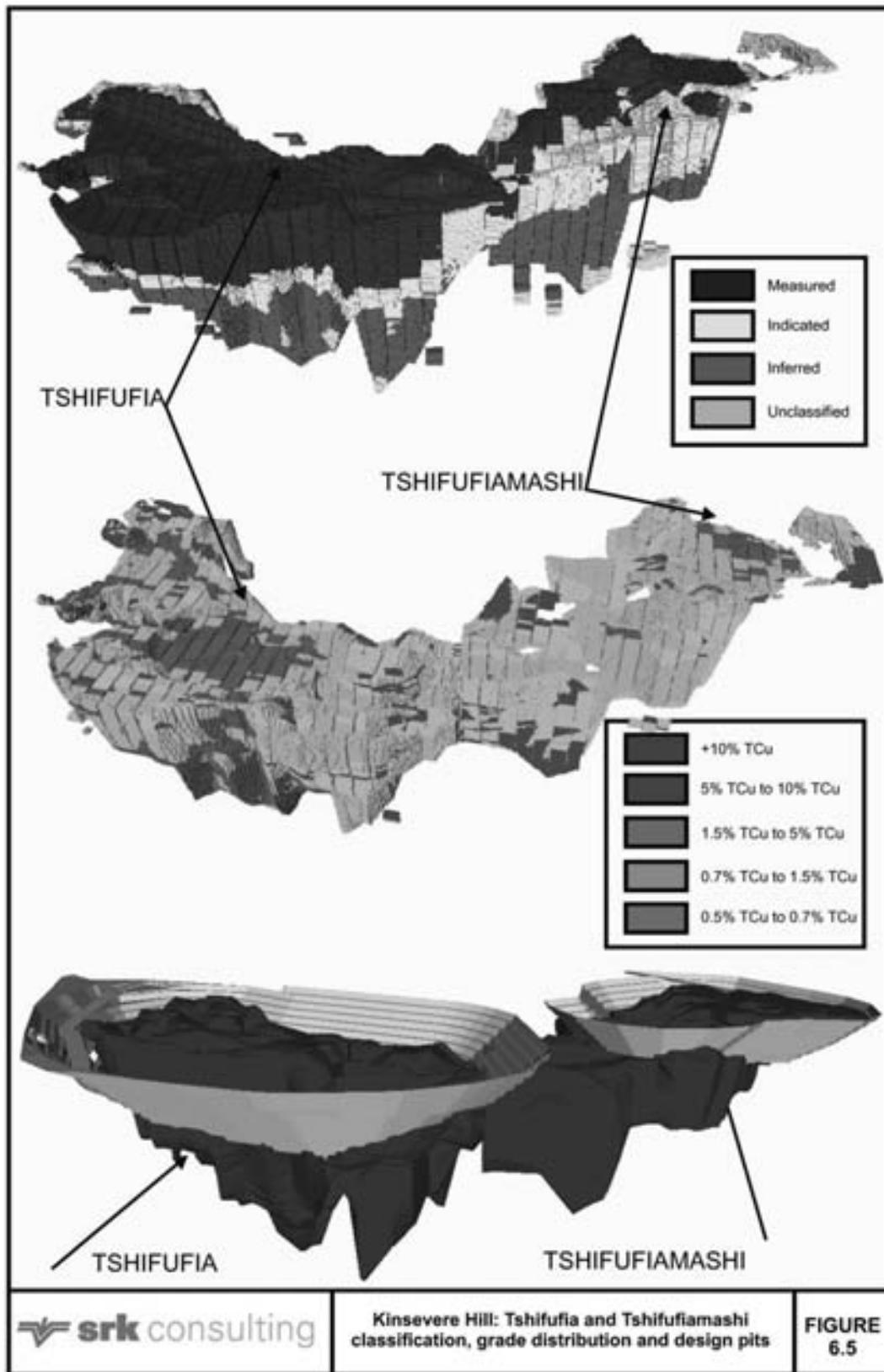
Specific Risks

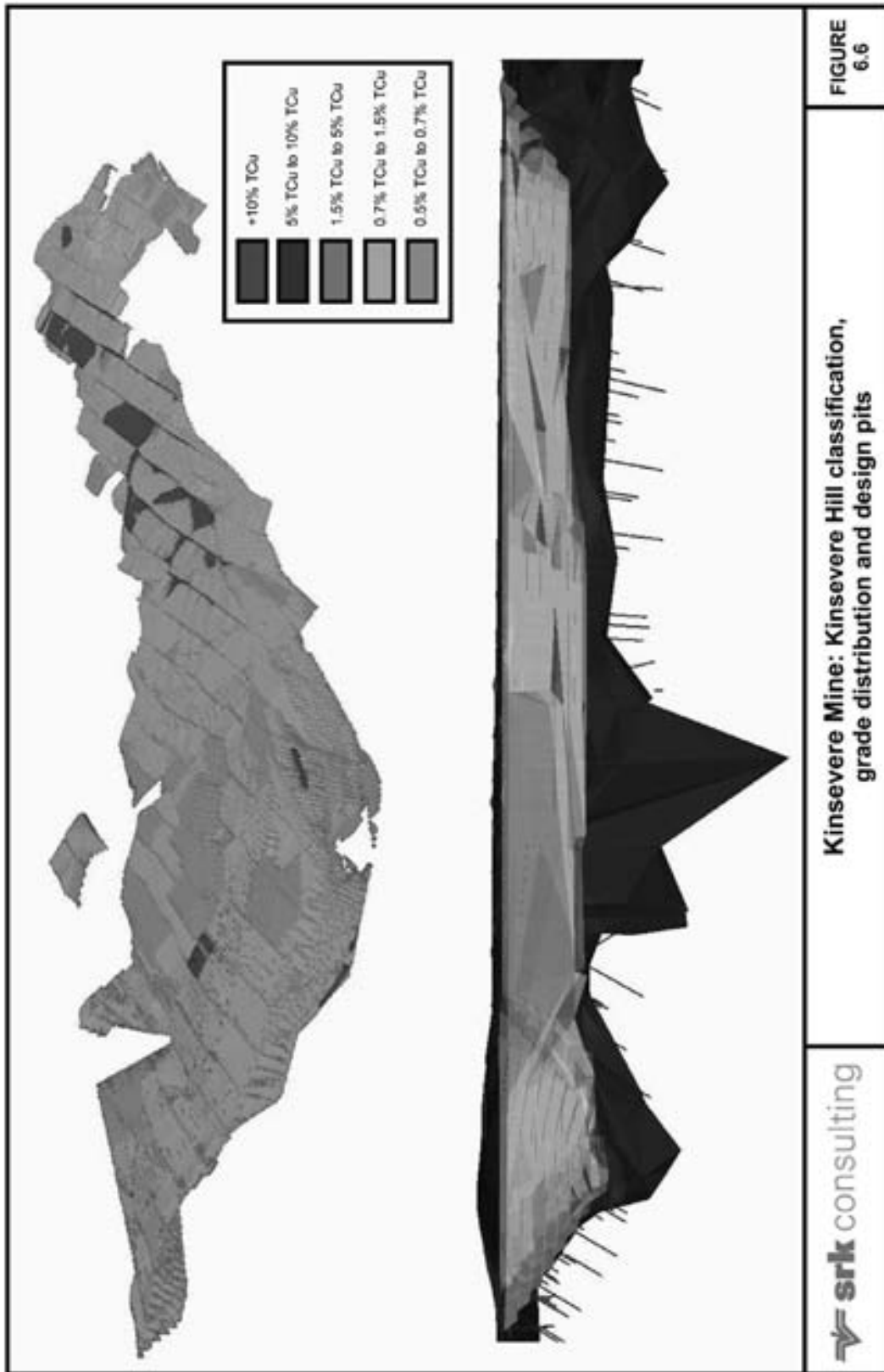
The specific risks associated with the 2011 Statements (SRK Depleted) at Kinsevere Mine are:

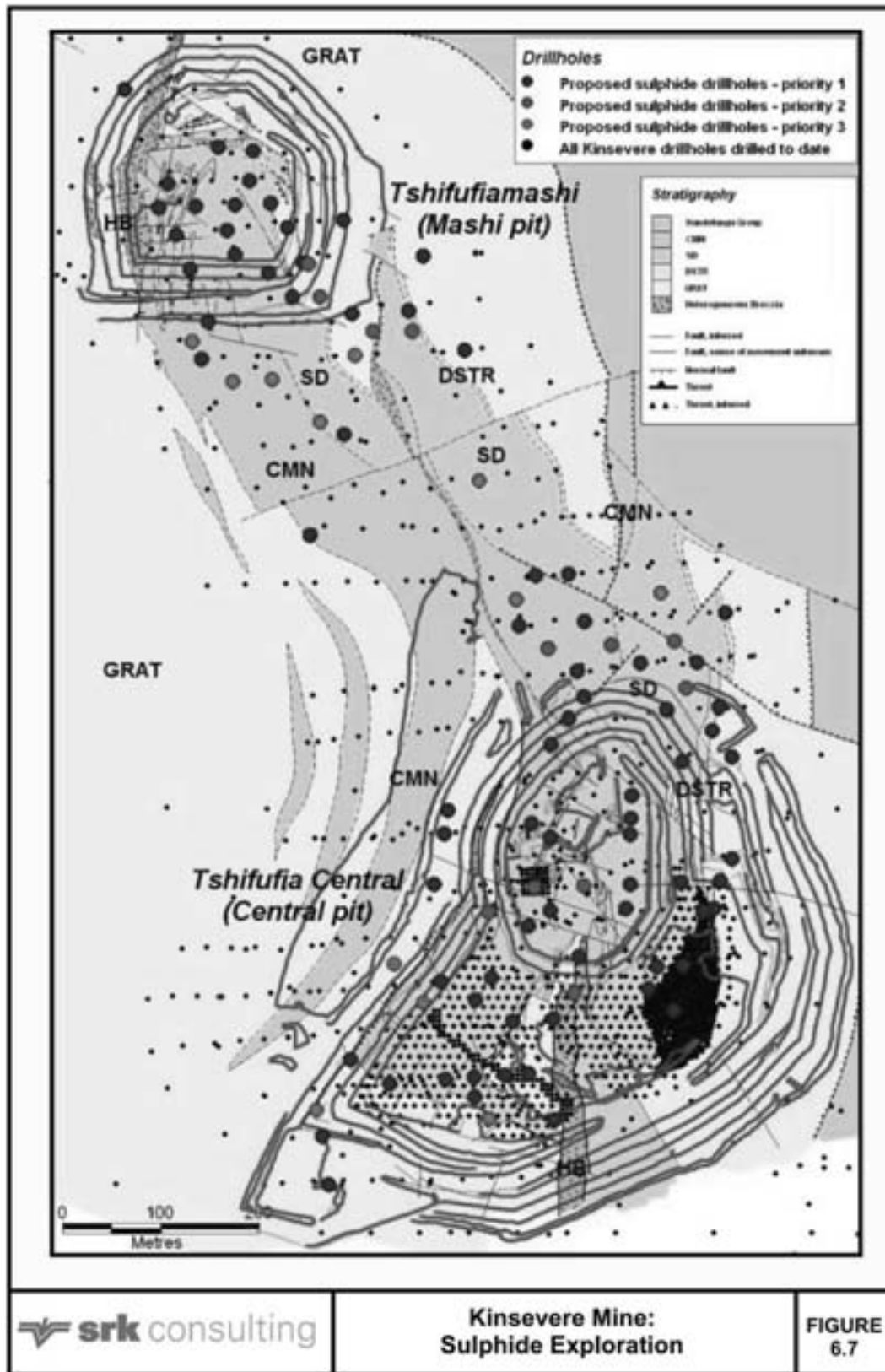
- A potential reduction in total acid soluble copper content of 4.0% due to the presence of black shales;
- A potential reduction in total acid soluble copper content of 8.0% in accordance with the results of the reconciliation studies completed date; and
- A potential reduction of 15% in the total Ore Reserves, assuming the same copper price of US\$175/lb, following re-optimisation at the higher operating expenditures included in the LoMp.

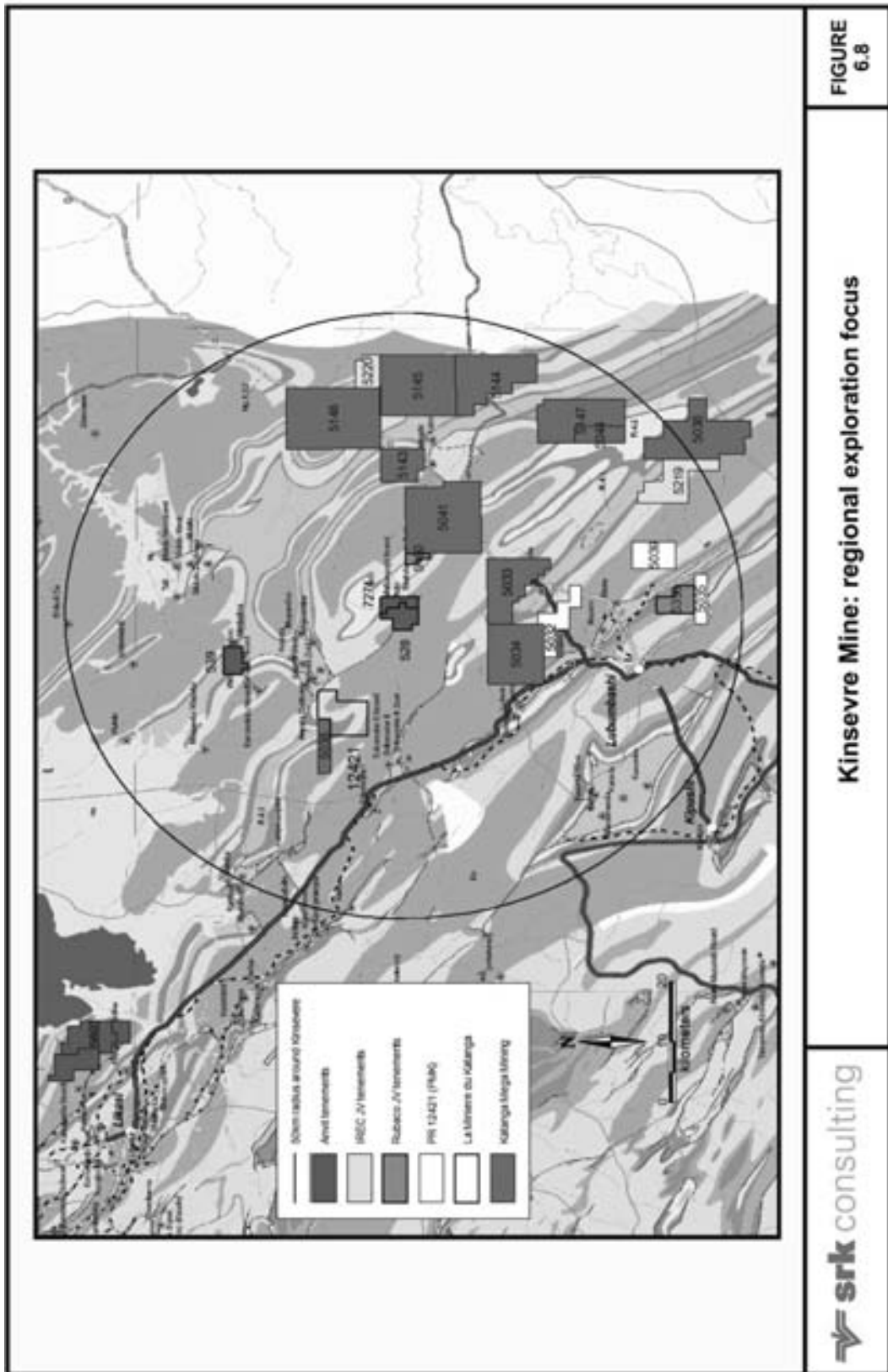
Specific Opportunities

- Exploration potential specifically in respect of additional sulphide resources and oxide resources both within the licence area and wider regional context;
- Increased Ore Reserves through further exploration drilling and completion of technical studies which demonstrate that mining and processing of sulphide ore is both technically feasible and economically viable; and
- A potential increase of 10% in the total Ore Reserves, assuming a higher copper price than US\$175/lb currently assumed, following re-optimisation at the higher operating expenditure included in the LoMp.









7 GEOTECHNICAL ENGINEERING

7.1 Introduction

Mining geotechnical considerations at the Kinsevere Mine are managed internally and with assistance from external consultants, specifically Turner Mining and Geotechnical Pty Ltd ("Turner"). Specifically, Turner undertakes annual site visits to the Kinsevere Mine with the latest being November 2010 resulting in their latest report dated 14 December 2010.

7.2 Data Reviewed and Current Status

Geotechnical data reviewed by SRK largely comprises a number of technical studies and site visit reports which supported documents such as 2007 Feasibility Study Ore and Reserve declarations. Since completion of the 2007 Feasibility Study, Turner has published three site visit reports, specifically: Kinsevere site-report 2008 ("**Turner 2008**"), Kinsevere site-report 2009 ("**Turner 2009**") and Kinsevere site-report 2010 ("**Turner 2010**"). The Turner 2009 report incorporates a number of recommendations which are largely focused on the need for:

- Collation of additional technical information including and not limited to, geotechnical drilling, logging and laboratory testing; and
- Improved dewatering to maintain dry slope and pit floor conditions.
- Turner 2010 identifies that since Turner 2009, there has been minimal collection of geotechnical data which remains a critical deficiency with respect to collation (geological mapping specifically structural data), electronic storage and subsequent analysis to provide appropriate input to future pit design. Specifically, SRK notes that in certain areas mining quality is affected by infrequently poor batter angle control where excavation of batters/bench faces has been at angles steeper than the designed 60° for the first 2.5m and then flatter for the lowest 2.5m to compensate. Furthermore where there is a presence of black shales in the immediate vicinity of Stage 2 lower northeast ramp, improved control will be required to minimise the toppling hazard.

During SRK's site visits groundwater conditions remained the focus of continual improvement through additional bore installation, however at the time, the wall conditions were not fully drained, as indicated by the potential failure in the southwest of the Tshifufia pit and the water covering the floor of the Tshifufia and Tshifufiamashi pits. Furthermore, Turner recommends that sub-horizontal drainage holes will be required in certain walls if the dewatering does not effectively drain all sections of the pit. This is specifically critical at depth due to the decrease in rock quality at some 80m below surface. Monitoring is currently hampered by poor bore coverage, specifically at the southwest of the Tshifufia pit.

Tension cracks are apparent on the southwest crest of the Tshifufia pit, in the vicinity of the proposed Stage 3 cutback. The mechanism appears to be structurally infeasible, and hence is likely to be strength related and perhaps influenced by the infiltration of collected rainfall. An array of survey prisms has been placed along the affected wall with potential slope movement trends monitored on a daily basis. A drainage channel and sump has been excavated within the laterite soil excavation to the west of Tshifufia pit, in an attempt to drain collected rainfall and minimize infiltration. A sump pump will be needed to pump water out and into a surface drainage channel flowing to the north.

A limited area of the Tshifufia pit east wall is experiencing batter scale toppling failure. This zone was identified in October 2009 and has deteriorated since. The failure is related to steep inward dipping bedding planes, which are adversely oriented with respect to the strike of the batters. The Tshifufia pit (Stage 2) and ultimate designs will be changed so that final walls in this area are more favourably oriented.

Analysis of all structural data was undertaken per domain and modified slope design guidelines were produced. Bench face angles for the South and Northwest domains may be steepened to 70° and 65° respectively.

As of 1 October 2011, the slopes continue to be drained, with the exception of the Tshifufiamashi pit's northwest slope where horizontal holes continue to drain from the toe of the slope. In recognition of the suggested changes made by Turner in 2010, amendments to arrest the local instability and refine the operational designs have been effected by Anvil and incorporated into the latest available pit designs which constrain the 2010 Statements (Anvil). Four fully cored and oriented holes have been completed as part of the sulphide drilling programme and samples have been sent for laboratory uniaxial compressive strength ("UCS") and direct shear testing.

7.3 Data Collection

Four geotechnical boreholes were drilled within the Tshifufiamashi open-pit in 2006 with the purpose of intersecting the second stage pit development walls. Two holes (TFGD02 and TFGD04) were drilled steeply east and west on the eastern side of the deposit. Another two holes (TFGD01 and TFGD03) were drilled steeply east and west on the western side of the deposit. All four holes were drilled within the proposed pit boundary and intersected the proposed pit wall at approximately 1,130mRL. Following completion of these holes a fifth hole was drilled close to TFGD01 to investigate the continuity of potential voids at the pit wall elevation. Based on TFGD001 intersecting a void between 88m and 98m an additional borehole, TFGD005 was drilled just to the north that intersected very poor ground conditions at similar depths to the void. This was located near the proposed toe of the final west wall position.

Attempts were made to orientate structures within the core, however due to the poor rock quality only a limited quantity of orientation was collected using these means. The core was geotechnically logged by AMCK geologists and validated by Turner who concluded that the logging had reasonable correlation with the core. A total of 22 core samples were sent to CSIR in Pretoria, South Africa for testing and attempts were made to test representative core samples that fell within each of the weathering ranges. Five samples were allocated for direct shear testing and 14 for uniaxial testing with strain gauges. Three samples were damaged in transit and not tested.

Samples for laboratory testing from 100m below ground level have been taken at the west wall at the Tshifufiamashi open-pit which samples generally consist of slightly weathered reasonable quality rock, which is not necessarily representative of the rock found in the highly weathered zone. Turner requested that additional testing on the clays and weak rocks are undertaken in the highly weathered zone. On completion of this analysis, Turner also recommended that additional stability analysis be undertaken to confirm the reduced

(compared to the 2007 Feasibility Study) slope angles near the proposed toe of the west wall. Furthermore, it is apparent, even during this early stage in the mining process, that faulting and adversely oriented discontinuities result in localised, bench scale instability. This has manifested itself in the form of minor toppling failure in the east wall of the Tshifufia central pit and more significant fault controlled instability in the south west wall of the Tshifufiamashi pit that may result in the re-routing of a proposed haul road.

Notwithstanding the above, SRK notes that the slope angles as proposed remain conservative assuming that dry mining conditions prevail.

There is significant scope for increasing the number and spatial distribution of structural data using SIROVISION, however to date this has been limited and requires further focus to improve the current geotechnical models as well as refine the longer term geotechnical designs.

7.4 Data Analysis

Turner initially carried out slope stability analysis using the Phase 2 finite element program developed by Rocscience of Toronto, Canada. Input parameters were derived from the material testing and published data, and pit geometry was based on the designs issued in November 2006. Turner concluded that when un-drained, the slope design geometry is stable with a factor of safety well in excess of 1.2.

Kinematic analysis has been undertaken based upon the data from the orientated drill core. The analysis was undertaken at 20m intervals down-hole. Structural information was limited due to the difficulties in gathering orientated core information in poor quality ground as was encountered during the drilling. It appears that only wedge failure is accounted for as there is no mention of planar or toppling analysis.

Analysis by Turner indicated that in the west and north-western walls there is no potential for wedge failure. Within the eastern wall there is potential for wedge failure between 80m and 100m depth with wedges more critical for faces in the southeast of the pit. Within the east wall there is a joint set dipping around 60° to the west and this may cause the loss of bench crests. Instability may be greater, especially as there is significant local variation in bedding dip and dip direction and in the interpretation between joints and bedding.

In consideration of further geotechnical works, Turner notes the following:

- **Geotechnical Management Plan:** Kinsevere Mine remains without a comprehensive ground control management plan. Consideration should be given to compilation of such a document for referencing geotechnical data, procedures and guidelines;
- **Groundwater Monitoring:** Additional monitoring boreholes are required closer to the pit walls to determine if walls are being dewatered effectively. During 2010 there was no monitoring close to the current potential failure in the southwest of Tshifufia pit;
- **Regular Berm Inspections:** Regular, documented berm inspections should be undertaken of all accessible berms. A nominated person or persons should be responsible for such inspections and they should be undertaken every month. Full documentation should include location of damage, e.g. wash-outs and cracks, water seepage, monthly pit survey plots and photographs; and

- **Laboratory Tests:** Additional laboratory tests on intact rock samples for Uniaxial Compressive Strength, Young's Modulus and Poisson's ratio are required, together with shear tests on bedding to determine frictional properties. Samples should be taken from the main rock types during the next phase of diamond drilling.

7.5 Slope Configuration

Based on the rock mass assessment, stability analysis modelling and kinematic assessment, the following open-pit design parameters have been recommended by Turner for the development of the Tshifufiamashi open-pit. The slope designs (Table 7-1) are based on the assumption that the slopes will be fully dewatered throughout the operating life of the pits and do not take into account the inclusion of access ramps and accordingly the final design slopes will be flatter. A further recommendation is that all soil and weak alluvium is to be removed which is estimated at 5m below surface at all pit areas with the exception of the west wall at Tshifufiamashi which is estimated to extend to 1m below surface.

Turner states that the recommended slope design configuration for the west wall below 40m will produce an overall slope angle of 30°. This takes into account the lower rock mass quality of the rocks within the majority of the west wall. Turner states that the recommended slope design configuration for the east wall will produce an overall slope angle of 40°.

Table 7-1: Kinsevere Mine: geotechnical design parameters

Domains	Inter Ramp Slope Angle (°)	Batter Angle (°)	Batter Height (m)	Berm Width (m)
East and West - all slopes				
5m to 100m	40	80	5	5
	40	55	10	5
	40	60	10	6
	40	64	10	7
Tshifufiamashi West Wall				
1m to 40m	40	60	10	6
Below 40m	32	60	5	5

Following publication of Turner 2010, the geotechnical design parameters in respect of Tshifufia pit have been amended as reported in Table 7-2 below and SRK understands that these have been incorporated into the pit designs which constrain the Ore Reserves as reported in the 2010 Statements (Anvil). As per the previous designs these are based on a Factor of Safety of 1.2 for inter-remap angles.

Table 7-2: Kinsevere Mine: revised geotechnical design parameters for Tshifufia pit

Domains	Inter Ramp Slope Angle (°)	Batter Angle (°)	Batter Height (m)	Berm Width (m)
Northeast	40	60	10	6
South	46	70	10	6
Southwest	40	60	10	6
Northwest	43	65	10	6

7.6 Summary Comments

Current geotechnical conditions at Kinsevere Mine are broadly understood, however there are a number of areas that require improvement, namely:

- An appropriately detailed geotechnical management plan;
- Further geotechnical in-pit mapping specifically in respect of structural data;

- Further use of SIROVISION data to address the aforementioned limitation in respect of structural data;
- More regular berm inspections;
- Further groundwater monitoring in specific areas due to poor coverage and/or siting of bores; and
- Further laboratory testing.

Accordingly, addressing the above is considered key to further developing the geotechnical model and input to the overall operational and ultimate design process, specifically in respect of: rock mass characterisation; rock mass stability analysis; and kinematic analysis.

The most critical item identified in Turner 2010 was potential instability in the south-west of the pit, extending from the crest to the toe over a length of around 100m. The potential failure volume is large and failed material would cover the current working area in the south-west pit floor. Prism monitoring and additional safety procedures are required in this area, together with additional groundwater monitoring and run-off controls.

There is an increasing risk of toppling failure above and below the northeast internal ramp. The designs for Stage 2 deepening aligned the ramp and walls with the worst possible angle, parallel to bedding. Given that the Stage 3 designs in this area minimise the risk of toppling, it would be beneficial to move straight to Stage 3.

Some other areas of the pit might be exposed to bench-scale failures, but many of those are due to local variability in joint orientations and are not predictable. Any delays or problems with dewatering in the pit and to the north of the pit could lead to saturation of the weak rockmass on the northwest walls and subsequent failures.

Notwithstanding the above, SRK considers that the critical geotechnical items are the efficiency of the dewatering programme as the overall slope stability assumptions are dependent on attaining dry mining and drained pit wall conditions.

8 HYDROGEOLOGY AND HYDROLOGY

8.1 Introduction

Following publication of the initial 2007 Feasibility Study, Anvil and its' contracted sub-consultants ("**Knight Piesold**") have completed numerous additional technical studies. Notwithstanding this, SRK notes that the dewatering programme and updating of the hydrogeological model is still on-going.

8.2 Hydrogeological Environment

The superficial geology at Kinsevere Mine comprises unconsolidated clayey gravel deposits to a depth of approximately 40m below ground level ("**mbgl**"). The underlying bedrock principally comprises steeply dipping and faulted dolomite and dolomitic shales. Exploration drilling indicated that fractured conditions in the bedrock extend to a depth of 200m to 250m. The bedrock is weathered to a depth of approximately 100m and the weathered horizon is considered to be of poor quality in terms of pit wall stability.

Groundwater is mainly encountered in the unconsolidated deposits and the weathered and

highly fractured dolomitic bedrock from a depth of approximately 30mbgl. It is reported that faults trending east-west appear to act as preferential pathways for groundwater and these faults are also weathered to a greater depth than the surrounding rock.

The aquifers at Kinsevere Mine are classified as confined aquifers; however there is most likely a combination of confined and unconfined conditions where the thick upper clay layers act as less permeable horizons and the deeper fractured rocks acting as the main aquifer resulting in confined conditions.

Two bedrock aquifers are generally defined, the first comprising a well-developed high yielding dolomitic aquifer which is comprised of rocks of the Kamoto Dolomite Formation and the second, a low yielding argillitic/shale aquifer which is comprised of rocks from the RAT Unit and the ungrouped sandstones and shales.

Furthermore, additional works in 2008 lead to the discovery of the highly permeable RAT breccia ("**RAT B**") at the site. At around this time the vertical mining rate was increased to 20m per annum. These two factors have been considered in the revised dewatering strategy for the Kinsevere Mine.

8.3 Dewatering Status

Seven dewatering boreholes are currently in operation comprising boreholes DEW05, DEW06, DEW09, DEW11, DEW14, DEW16 and KPWH05. All of these boreholes are located between the Tshifufiamashi and the Tshifufia open-pits with the exception of DEW11 and DEW14 which are located within Tshifufia pit. An update from Anvil in September 2011 indicated that fourteen dewatering boreholes were completed and capable of having pumps installed.

During August 2011 eight dewatering boreholes were operating with an overall abstraction rate of approximately 247l/s which is 58% of the system capacity of 421l/s. Since August 2011 borehole KPDWH03 is no longer operating as a dewatering point. Despite less abstraction points being utilised, the average abstraction rate has increased to 383l/s. This variation in the operational efficiency of the dewatering system is reported as being mainly influenced by the reduction in the intermittent operation of the pumps (the intermittent operation being due to power failures and reaching the limits of the electrical reticulation capacity).

Knight Piesold reports that a lower static water level appears to have been established since March 2011 following the period of improved efficiency and reliability of the dewatering system. This is a significant improvement compared with 2009 and 2010 when there was generally negligible lowering of the groundwater surface from dewatering. Water levels in the Tshifufia pit have declined by around 20m to approximately 21m below the current (September 2011) pit floor and 3m below the June 2012 pit floor level. Knight Piesold reports that the decline in water level in the Tshifufia pit has slowed recently and it will be necessary to accelerate dewatering through the operation of additional dewatering boreholes.

Water levels in the Tshifufiamashi pit have also been lowered despite the lack of abstraction boreholes located within the pit, with the exception of borehole DEW09. This is attributed by Knight Piesold to dewatering from boreholes DEW09, DEW05 and DEW10 which are located

either in the southern perimeter of the pit or to the south of the Tshifufiamashi pit. As a result of the dewatering points being generally located to the south, the water levels monitored in the north of the pit at boreholes DEW08 and DEW17 are 3m to 5m above the current pit floor and seepages are observed in the northern pit face.

During H2 2010 and H1 2011 the principal changes to the dewatering infrastructure comprised: installation of new abstraction boreholes; installation of submersible pumps; upgrading of water pipeline reticulation system; upgrading of electric reticulation capacity; and construction of a discharge channel. A new open lined discharge channel for the increased dewatering from Kinsevere Mine with capacity for 1,000l/s of flow. The channel is 8.5m wide, 300mm deep, HDPE-lined and capable of accommodating the 1,000l/s flow from dewatering plus storm event rainfall.

The revised dewatering strategy proposed by Anvil principally involves the addition of new large diameter dewatering boreholes to the dewatering network to give a proposed combined abstraction rate of 833l/s in order to depressurise the pit walls through the life of mine and create a dry mining environment. This represents an approximate 280% increase from the dewatering abstraction rate of 220l/s given in the 2007 Feasibility Study.

8.4 Hydrogeological Modelling

An update of the current groundwater model commenced in August 2011 and the results of this assessment may be available during Q4 2011 or Q1 2012. Notwithstanding this aspect, SRK notes that the model is based on a 'conceptual' hydrogeological model whereby the geological and hydrogeological environment beyond the immediate mine area is generally unknown. Although updates from the current dewatering programme will assist in validating the model, the longer-term impact of ultimate cone of depression on both the immediate and wider region will remain 'conceptual' for the immediate future.

8.5 Water Management

Dewatering reports published by Anvil in H1 2010 indicate historical inconsistencies with respect to reported volumes for dewatering and the return water discharge to the Kifumashi River. A revision of the water management reporting system, specifically to include a monthly overall water balance reconciliation remains necessary and to date it is not apparent that this reconciliation has neither been undertaken respectively or currently and accordingly this remains a shortcoming in respect of the overall water management process.

As reported by Anvil, monitoring for physiochemical parameters comprising major and trace metals is limited to one borehole which is located up gradient of the tailings storage facility ("TSF"). There are currently six water quality monitoring sites at the Kifumashi River (two upstream and 4 downstream of the discharge site), which have been monitored for physiochemical parameters, however upstream location SWKB02 is only sampled when significant quality variations are observed at SWKB01. The samples have been analysed for parameters comprising some major ions and a limited suite of trace metals on a monthly basis since October 2007.

8.6 Hydrology

A basic analysis of rainfall and run-off was carried out by Knight Piesold in 2010. This assessment was based on a number of broad assumptions regarding the hydrology of Kinsevere Mine, such as the magnitude of the 1 in 100 rainfall event being equal to 70% of the maximum monthly rainfall and the catchment area of the pit being 'roughly estimated' but not clearly defined. Any estimates of run-off, infiltration and precipitation would therefore be limited in accuracy and accordingly further technical work by appropriately qualified hydrologists is required to address this.

When assessing the impact of dewatering, Knight Piesold determined the potential contribution to the Kifumashi River flood plain from the dewatering discharge channel from the Kinsevere Mine. The calculations were completed using HEC-RAS software, in which one dimensional flow analysis can be undertaken. This analysis however assesses the inundated area of the flood plain from the discharge channel outlet only and consequently the combined effects of the flow in the channel, the flow in the river or when the river is in full flood have not been assessed. The lack of available flow information with respect to the Kifumashi River is problematic and accordingly it is difficult to determine the impact on the natural flood plain without substantive further work to redress the paucity of appropriate data and reliance on 'broad assumptions'.

Accordingly a programme of flow monitoring works should be defined and carried out to adequately assess surface water/groundwater interaction. A section dedicated to flow monitoring was included as an Addendum to the EIA report, however SRK considers that the proposed 'visual monitoring' does not allow an assessment of the surface water/groundwater interaction to be made.

8.7 Water Supply and Water Balance

The plant make-up water requirement of previous was assessed as 90l/s which broadly remain as projected. The full raw water make-up for all mine site requirements (aside from direct rainfall) was then to be provided by a total of nine dewatering boreholes located around Tshifufiamashi, Tshifufia and Kinsevere Hill pits and one borehole supplying water to the raw water dam.

The mine site water balance derived by Knight Piesold included a breakdown of some of the inflows and outflows for the Stage 1 and Stage 2 tailings dams and the raw water dam. The average monthly rainfall calculated from a daily rainfall dataset was used in the balance rather than using a range of possible monthly rainfall values e.g. minimum and most-likely. The volumes obtained from pit dewatering were predicted to far exceed the plant make-up water requirement and therefore discharge of 130l/s to 200l/s of water to the surface water was originally predicted as well.

Reporting in certain historical monthly reports, specifically during Q1 2009, indicated significant variances between that reported for the site water balance data and that quoted in various environmental reports. This has been the subject of various reconciliation attempts by Anvil to date in order to address the confidence in monthly reporting.

Based on the latest abstraction rates, the dewatering requirements have increased to in

excess of 500l/s and in the worst case scenario up to 1,000l/s. Accordingly any requirement for abstraction from the Kifumashi River remains unlikely.

The Stage 2 tailings dam was designed by Knight Piesold to be able to safely store run-off generated from a 1 in a 1,000 year 24-hour storm event when the pre-existing water level in the TSF is at its maximum expected level under average conditions. It may also be able to accommodate a 1 in a 1,000 year 24-hour storm event with pumping of some 6,000m³ to the process water pond, which will have a spare capacity under normal operating conditions of 50,000m³. In the event that both the tailings dam and process water pond reach capacity, one of the thickener tanks can be converted to treat water for pH correction and heavy metals removal before discharging to surface water, as a last resort.

8.8 Operating and Capital Expenditure

The current LoMp assumes annual dewatering operating expenditures of some US\$2.20m per annum and is higher than that assumed in the optimisation analysis (US\$1.57m per annum) supporting the current Ore Reserves reported in the 2010 Statements (Anvil). This includes the total operating expenditures associated with the perimeter dewatering bores and the in-pit dewatering.

The current assumed operating expenditures reflect the assumed higher dewatering volumes of between 500l/s and 600l/s which is higher than the current abstraction rates but lower than the potential maximum dewatering rate of 1,000l/s. Operating expenditures associated with the upper abstraction rate are likely to be of the order of US\$3.67m per annum.

Furthermore as there is limited detail in respect of the capital cost schedule, it is difficult to assess the extent to which any associated capital expenditure increases have been included in the current LoMp. Specifically SRK notes that an increased number of bores is likely to be required as the overall dewatering footprint is expanded.

Notwithstanding the above, the September 2011 dewatering status update produced by Anvil indicates capital expenditure of US\$0.8m and US\$2.8m for H1 2011 and 2012 respectively. It is however unclear whether these costs account for the new and replacement monitoring boreholes.

8.9 Summary Comments

The key issues in respect of the hydrogeological and hydrological programme are:

- Optimal location of boreholes is critical to ensure that abstraction rates are attained and identification of areas with lower permeability and flow barriers are key;
- Knight Piesold's recommendations for the installation of new dedicated observation boreholes and automated water level monitoring equipment are supported;
- Reconciliation between dewatering and discharge to the river should take place as proposed previously by Anvil;
- Following Knight Piesold's comments in respect of direct discharges from pit sumps to watercourses, it is recommended that water quality is assessed;
- Monitoring of groundwater quality at one borehole up hydraulic gradient of the TSF is considered insufficient. Routine monitoring of groundwater quality should be carried out at

additional locations including a location down-gradient of the TSF; and

- Whilst updating of the hydrogeological modelling is underway, a revised dewatering programme for the entire duration of the LoMp is required in order to assess the necessary capital and operating expenditures as well as the broader impact of dewatering and discharging to the Kifumashi River.

9 MINING ENGINEERING

9.1 Mine Design and Mining Method

Previous internal studies completed by Anvil have shown that there is the potential to reduce the mining costs through the adoption of fewer and larger trucks. In Anvil's March 2010 Technical Report it was stated that further investigation on the trafficability of larger rigid body trucks is required prior to re-tendering for the Stage 2 mining contract. Accordingly the Stage 2 mining contract was let to MCK Trucks in February 2011 for an initial 18-month period ending in July 2012.

9.1.1 Mining method

The mining method assumes conventional open-pit operations as currently employed at Tshifufia and Tshifufiamashi pits. The ore comprises a soft oxide material which predominates above the weathered horizon, estimated to be some 100m below surface and accordingly comprises a high proportion of 'free dig' material. Total mined material in LoMp is estimated at 54.44Mt of which 21.2%, 30.1%, 48.2% and 0.5% is classified as oxide, mixed, transitional and fresh material respectively. The 2007 Feasibility Study assumes that some 75% of the oxide rock and 50% of the mixed and transitional zone rock collectively are free digging which is also reflected in the latest LoMp.

Ore mined is classified into four grade (%TCu) categories:

- Super High Grade Ore ("**SHGO**"): +4%TCu;
- High Grade Ore ("**HGO**"): 3%TCu to 4%TCu;
- Medium Grade Ore ("**MGO**"): 2%TCu to 3%TCu; and
- Low Grade Ore ("**LGO**"): 0.75%TCu to 2%TCu.

Ore is delineated by grade control drilling using a 102mm drill-hole with a 5m spacing and a 5m burden for free digging ore and a single bench of 5m is drilled and samples taken in 2.5m intervals to reflect the flitch height. Where the ore requires drilling and blasting the burden spacing is narrowed to 4m and larger (115mm) holes are drilled to ensure an acceptable fragmentation.

Ore types are demarcated by 'dig lines' and the excavator operator under the supervision of the ore spotter loads the trucks which are transported to the RoM stockpiles or the waste rock dumps ("**WRDs**"). SHGO, HGO and MGO are sent to the live stockpile for treatment whilst the LGO is separately stockpiled for later processing. All material less than 0.75%ASCu is defined as waste.

Haul roads are designed at 20m width and installed on ramps with gradients of 1:9 (11%). The smallest selective unit adopted in the pit design process was 25m by 25m which is

considered to be the minimum dimension to enable truck turning and positioning. The general geotechnical parameters are based on an inter-ramp slope angle of 40°, batter heights of 10m, batter angles of 60° and berm widths of 6.2m. In areas of poorer ground conditions such as the Tshifufiamashi pit west wall, the slope angles are reduced accordingly.

All material is mined using backhoe type excavators in conjunction with 40t ADTs which is the same as that currently employed at the Tshifufia and Tshifufiamashi pits. The waste from each of the open-pits is to be dumped on the TSF embankments and WRDs established to the east of the pit which essentially form a single large WRD.

Bench heights from 5m to 10m are to be mined with flitch heights of 2.5m which matches the vertical dimension of the basic resource model and is within the operating capacity of the 65t and 80t class hydraulic excavators included in the mining fleet.

A production control system at the mine for the operation in order to improve reconciliation and accounting has been implemented which principal objectives include production recording, stockpile management, and ore depletion.

9.1.2 Ultimate pit design and staged pit selection criteria

The ultimate pit selection process has been based on the optimisation analysis for six copper price scenarios corresponding to: USc143/lb; USc175/lb; USc225/lb; USc250/lb; USc275/lb; and USc300/lb. The pit selection process has been constrained: to include:

- oxide Measured and Indicated Mineral Resources only which excludes all sulphide and Inferred Mineral Resources; and
- the current and proposed surface infrastructure.

Based on analysis that included a maximum specified number of pushbacks and cash flows discounted at 10%, the ultimate pit selection was analysed assuming a copper price of USc175/lb.

The ultimate shell chosen for both (a) Tshifufia and Tshifufiamashi (considered collectively) and (b) Kinsevere Hill is where the revenue factor equals 0.82 which at USc175/lb corresponds to a copper price of USc143/lb.

Based on the optimisation analysis (Table 9-1): the Tshifufia pit is developed in three pushbacks (stages 1 and 2 are combined, stage 3 and ultimate pit); Tshifufiamashi in two pushbacks (stage 1 and ultimate pit); and Kinsevere Hill in one pushback to the ultimate pit limits.

Table 9-2 gives the design efficiency comparison between the ultimate pit shells chosen from the optimisation and the final engineered designs associated with the 2010 Statements (Anvil). A similar comparison based on a depleted block model and the various optimisation shells has not been completed, however for the purposes of deriving the Ore Reserve sensitivities as reported in Section 6, these efficiency factors were applied to the raw optimisation shells and then depleted for mining production to 30 September 2011.

In general where designs provide waste and ore within $\pm 10\%$ and $\pm 5\%$ of the raw optimised shell, respectively this is considered to be an efficient design. Where efficiencies are outside of this range this could be an indication of a sub-optimal design consideration or that the original optimisation slope angels have not been appropriately softened to cater for ramp

access. Accordingly, this would appear to warrant some further analysis specifically in respect of Tshifufia and Tshifufiamashi.

Table 9-1: Kinsevere Mine: open-pit stage incremental physical mining statistics as at 1 October 2011

Pit	Pit Stage	Waste Tonnage (kt)	SR (twaste:tore)	Ore Tonnage (kt)	Grade (%TCu)	Grade (%ASCu)
Tshifufia	Stage 1+2	95	0.07	1,386	5.16%	4.50%
	Stage 3	3,605	0.72	4,994	4.34%	3.62%
	Ultimate	13,739	2.15	6,383	4.28%	3.43%
	Total	17,439	1.37	12,764	4.53%	3.55%
Tshifufiamashi	Stage 1	34	0.06	569	4.33%	3.90%
	Ultimate	7,215	2.30	3,143	3.60%	3.28%
	Total	7,249	1.95	3,712	3.25%	2.74%
Kinsevere Hill	Total	7,158	1.57	4,546	3.42%	3.07%
Total		31,846	1.51	21,022	3.99%	3.24%

Table 9-2: Kinsevere Mine: open-pit engineering design efficiency as at 1 January 2011

Statistics	Units	Open-pit analysis		Total
		Tshifufia + Tshifufiamashi	Kinsevere Hill	
Waste Tonnage				
Optimisation	(Mt)	23.08	6.57	29.65
LoMp ⁽¹⁾	(Mt)	27.27	7.16	34.43
Efficiency	(%)	118.2%	108.9%	116.1%
Ore Tonnage				
Optimisation	(Mt)	17.75	4.90	22.66
LoMp ⁽¹⁾	(Mt)	17.59	4.55	22.13
Efficiency	(%)	99.1%	92.7%	97.7%
Ore Grade				
Optimisation	(%TCu)	4.26%	3.18%	4.03%
LoMp ⁽¹⁾	(%TCu)	4.20%	3.10%	3.97%
Efficiency	(%)	98.6%	97.4%	98.7%
Ore Grade				
Optimisation	(%ASCu)	3.39%	2.84%	3.27%
LoMp ⁽¹⁾	(%ASCu)	3.30%	2.77%	3.19%
Efficiency	(%)	97.3%	97.5%	97.5%

9.1.3 Waste dump design

The waste dump location and designs remain as originally considered in the 2007 Feasibility Study by DumpSolver and have not been amended in accordance with the revised projections as included in the current LoMp.

The waste dumps for each deposit essentially form a continuous single dump that is located to the east of the open-pits and separated by a 350m buffer zone to cater for a possible expansion. A 40m buffer zone between the toe of the envisaged dump and the tenement boundary was also incorporated.

The waste rock comprises highly weathered siltstones and shales, the UCS of which has been tested to be less than 20MPa. Given this limitation the preferred arrangement with respect to erosion and run-off containment is to allow the slopes to degrade and slump naturally. A catch bund and two drains have been provided around the perimeter of the dumps to contain the run-off, and were formed from the clay/soil material cleared from the waste rock dump footprint.

Table 9-3 gives the design capacities of the individual dumps as originally designed. The original capacity of the WRD is estimated at some 41.1Mm³ which on inclusion of swell and contingency (5%) is increased by a total of 26.1%, thereby implying an overall swell of some 20%. Table 9-4 gives an estimate of the waste rock balance.

Accordingly by comparing the balance to the WRD and the design capacity of all WRDs there is a nominal excess capacity of some 45% which reflects a considerable safety margin to support any further expansions of the open-pits.

Furthermore SRK notes that the waste rock as reported also includes a certain amount of Inferred Mineral Resource and unclassified material mined within the limits of the final pit designs which may further increase this positive margin.

Table 9-3: Kinsevere Mine: waste rock dump designs

Dump Name	WRD Design	
	(kBCM ³)	(kBCM ³)
Tshifufia North	23,159	29,200
Tshifufia South	13,905	17,536
Tshifufiamashi	2,294	2,896
Kinsevere Hill	1,760	2,224
Total	41,118	51,856

Table 9-4: Kinsevere Mine: waste rock balance

Statistic	In-Situ			Loose		
	Volume ('000 m ³)	Density (t/m ³)	Tonnage (kt)	Volume ('000 m ³)	Density (t/m ³)	Tonnage (kt)
LoMp						
Tshifufia	9,012	1.94	17,439	10,814	1.61	17,439
Tshifufiamashi	4,453	1.63	7,249	5,344	1.36	7,249
Kinsevere Hill	4,447	1.61	7,158	5,336	1.34	7,158
Total	17,912	1.78	31,846	21,494	1.48	31,846
Mined to 30 September 2011	6,315	1.98	12,522	7,578	1.65	12,522
TSF Requirement	9,438					
Tshifufia + Kinsevere Hill ⁽¹⁾	13,459		24,597	16,151	1.52	24,597
Tshifufia + Kinsevere Hill ⁽²⁾	8,735	1.83	15,963	10,482	1.52	15,963
Balance to WRD	15,492		28,405	18,590	1.53	28,405

⁽¹⁾ Total waste mined from current LoMp commencing 1 October 2011.

⁽²⁾ Total waste mined from current LoMp commencing 1 October 2011 through to completion of final stage of TSF development.

9.1.4 Ore stockpiles

The current LoMp requires the separate stockpiling of four grade categories: namely SHGO, HGO, MGO and LGO. Table 9-5 gives the distribution of the maximum tonnage closing balance on each stockpile during mining operations and the closing tonnage balance on cessation of mining operations. The total maximum closing balance is forecasted at 9.59Mt and a 9.19Mt closing balance on cessation of mining operations.

The stockpiles are planned to be located between the Tshifufia pit and the Stage 2 SX-EW Plant and within 1km of the RoM pad. The LGO stockpile is planned to be located to the south of the plant approximately 1km from the RoM pad. Processing continues for a further six years to 2027 where the LGO stockpiles are co-mingled with HMS Plant floats and effluents from 2021 onwards.

Table 9-5: Kinsevere Mine: ore stockpile analysis

Stockpile	Period	Maximum Closing Balance Grade			Period	Closing Balance - mining cessation Grade		
		Tonnage (kt)	(%TCu)	(%ASCu)		Tonnage (kt)	(%TCu)	(%ASCu)
SHGO	Aug-17	1,115	7.97%	6.99%	Dec-20	527	6.94%	6.17%
HGO	Sep-20	398	3.44%	2.98%	Dec-20	285	3.44%	2.98%
MGO	Sep-20	1,322	2.63%	2.20%	Dec-20	1,210	2.67%	2.23%
LGO	Dec-21	7,164	1.45%	0.95%	Dec-20	7,164	1.45%	0.95%
Total	Sep-20	9,589	2.10%	1.59%	Dec-20	9,186	1.99%	1.48%

9.1.5 Equipment Selection

The mining equipment selection is suitable for Stage 2 production rates and mining practice.

The type and quantity of equipment currently operated by MCK Trucks is as follows:

- **Excavators:** three 60t to 80t excavators in backhoe configuration for prime loading and one 45t excavator in backhoe configuration used to trim batters in the open-pit and used as a backup loading machine when required;
- **Trucks:** A fleet of fifteen Bell B40D 40t ADTs;
- **Drill rigs:** Two Pantera 1500 drill rigs;
- **Dozers:** Two dozers - CAT D8R used for pit floor and haul road clean up;
- **Front End Loaders:** Two CAT 980H;
- **Graders:** Two graders - a CAT 770D grader and Bell 872D grader;
- **Light Vehicles (6) and workers bus (3);** and
- **Water trucks:** Two 20t capacity water trucks.

This fleet is capable of some 310kBCM per month of total production and detailed productivity calculations were completed for the load and haul fleet. The equipment productivity assumptions are based on a 345-day calendar year (which accommodates allowances for stoppages and intermittent shut-downs), two 12hr shifts (seven days per week) and an effective utilisation of 80% that leads to operating time of some 5,500hr per annum. There is also a requirement for additional trucks for hauling from the deeper sections of the open-pits during the latter periods of the current LoMp.

9.1.6 Mining Contract

The Stage 2 mining contract was let to MCK Trucks in February 2011 for an initial 18 month period ending in July 2012. The contracted fleet remains essentially the same as for Stage 1 mining except that there is an additional excavator and trucks to cater for seven days/week mining on double shifts. The trafficability trials are now to be carried out in Q3 2011 to Q1 2012, prior to retendering for a contract extension.

Contractor mining cost assumptions for Stage 2 following modification from optimisation inputs to match the total unit rates as incorporated into the latest LoMp include: contractor load and haul (US\$6.59/BCM); dayworks (US\$0.19/BCM); drill and blast (US\$0.18/BCM); and grade control (US\$0.25/t). Based on current LoMp weighted average this provides for a total of US\$7.14/BCM.

No specific provision has been made for demobilisation or remobilisation of an alternative contractor, and accordingly the LoMp assumes continuation with MCK Trucks from August 2012 onwards.

9.2 LoMp Mining Schedule

Table 9-6 gives the current salient production statistics for the LoMp which provides for a total 52.87Mt and 29.78MBCM mined from 1 October 2011 of which ore tonnage comprises 21.02Mt grading 3.99%TCu and 3.24%ASCu mined at an average stripping ratio of $1.51t_{waste}:1t_{ore}$. The pushback ("PB") depletion assume the following:

- Tshifufia: PB1&2 (2011 through 2012 inclusive); PB3 (2011 through 2015 inclusive); and ultimate pit (2012 through 2017 inclusive);
- Tshifufiamashi: PB1 (2011 through 2012 inclusive); and ultimate pit (2015 through 2019 inclusive); and
- Kinsevere Hill: ultimate pit (2017 through 2020 inclusive).

Figure 9-1 and Figure 9-2 gives the total mined tonnage per pushback (including total stripping ratio) and the total mined ASCu per pushback (including average mined ASCu grades) respectively.

Table 9-6: Kinsevere Mine: LoMp summary production schedule

Statistics	Units	LoMp	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Waste Mined	(Mt)	31.85	0.51	3.96	4.02	2.85	3.35	2.99	4.58	4.59	3.48	1.53
Total Mined	(Mt)	52.87	1.45	5.95	5.88	5.53	5.49	5.56	6.33	6.18	6.04	4.45
Stripping Ratio	($t_{waste}:t_{ore}$)	1.51	0.55	1.99	2.16	1.06	1.56	1.16	2.61	2.88	1.36	0.52
Density	(t/m^3)	1.78	1.64	1.60	1.70	1.79	1.83	2.01	2.11	1.71	1.67	1.69
Total BCMs Mined	(MBCMs)	29.78	0.88	3.71	3.46	3.09	3.01	2.76	3.00	3.61	3.61	2.64
Ore Mined	(Mt)	21.02	0.94	1.99	1.86	2.68	2.15	2.58	1.75	1.59	2.56	2.92
Ore Grade	(%TCu)	3.99%	5.46%	5.19%	3.72%	3.83%	3.98%	4.82%	4.70%	2.69%	3.41%	3.12%
	(%ASCu)	3.24%	4.54%	4.23%	2.87%	2.97%	3.13%	3.81%	3.55%	2.26%	2.96%	2.77%

Figure 9-1: Kinsevere Mine: total annual tonnage mined and stripping ratio

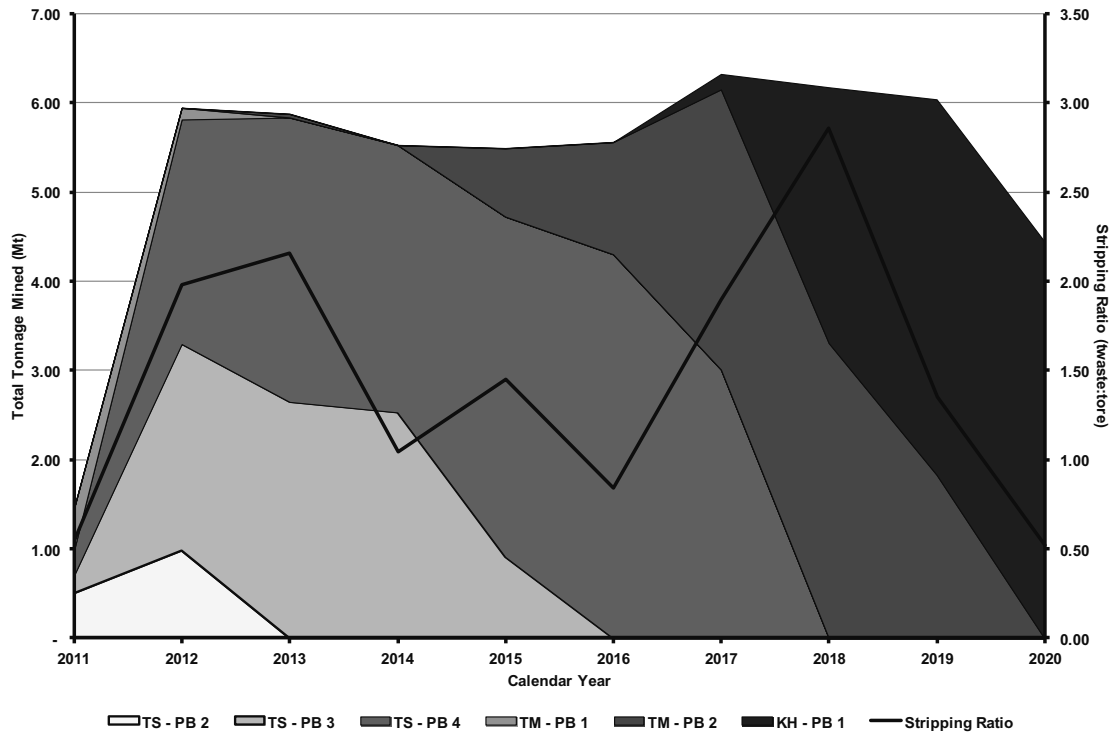
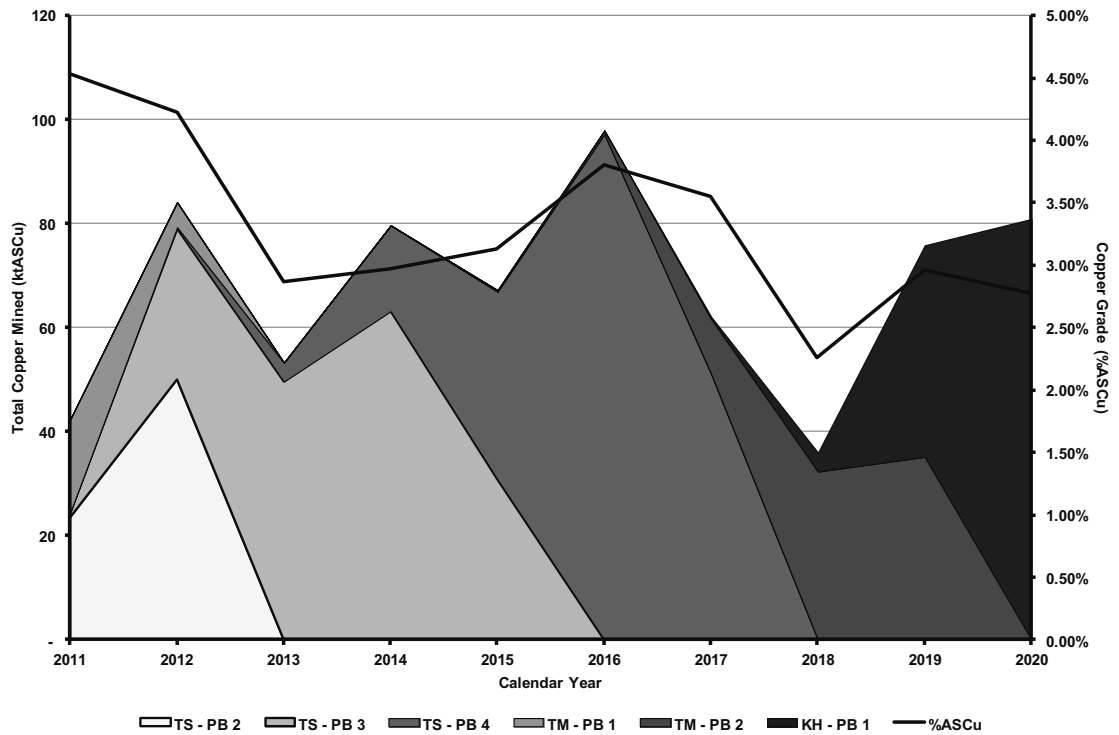


Figure 9-2: Kinsevere Mine: total acid soluble copper mined and average acid soluble grade



9.3 Operating Expenditure

The operating expenditure assumptions as incorporated into the LoMp assumptions have been marginally (+11%) amended from the assumptions as incorporated into the latest Ore Reserve declarations. Operating expenditure assumptions have been developed on a first principal basis.

Table 9-7: Kinsevere Mine: LoMp operating expenditure

Statistics	Units	LoMp	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Activity	(US\$m)	271.40	8.00	32.90	31.10	28.71	28.04	26.42	27.86	32.04	32.32	24.01
Mining	(US\$m)	271.40	8.00	32.90	31.10	28.71	28.04	26.42	27.86	32.04	32.32	24.01
Unit Costs												
Mining	(US\$/t)	5.13	5.52	5.53	5.29	5.19	5.10	4.75	4.40	5.18	5.35	5.40
	(US\$/BCM)	9.11	9.08	8.86	8.98	9.30	9.31	9.56	9.29	8.89	8.95	9.10

9.4 Capital Expenditure

There is no significant capital expenditure items scheduled in the current LoMp which directly relate to the current mining operations.

9.5 Historical Operating Performance

Table 9-8 gives the historical mining operating statistics for Kinsevere Mine from 2007 through H1+Q3 2011 inclusive which are derived from monthly reports. The operating months for each period is noted as follows: 2007 (12 months); 2008 (10 months); 2009 (5 months); 2010 (12 months); and 2011 (9 months). Total BCM mined per month to 30 September 2011 provided for a weighted average of 291kBCM per month, however since April 2011, the mining contractor is regularly achieving higher than 300kBCM per month and in July attained a maximum of 492kBCM.

SRK notes that certain of the production operating statistics included in Table 9-8, specifically for the periods 2007 through 2010 are solely derived from mining and survey statistics which owing to the stockpiling of material and the fact that SX-EW production had not commenced, are not reconciled to processing mass balances. Furthermore, during this period the underlying resource models have been updated, inter alia, to include density estimations. Accordingly SRK notes that for the above reasons the production statistics as reported during the period 2007 through 2010 inherently include some degree of error and for this reason should be treated with a degree of caution. Notwithstanding this aspect, the production statistics as reported for 2011 are not subject to such caution as the management systems which support the derivation of such data has been significantly improved and is now also subject to more detailed reconciliation exercises between exploration models, grade control models and mining statistics.

Table 9-8: Kinsevere Mine: historical mining operating statistics

Statistics	Units	Total	2007	2008	2009	2010	H1+Q3 2011
Production							
Ore Mined	(kt)	5,865	1,439	2,514	297	875	1,427
SHGO	(kt)	100	0	0	0	0	250
HGO	(kt)	2,187	383	815	179	528	498
MGO	(kt)	1,797	556	782	66	168	400
LGO	(kt)	1,780	499	916	52	178	280
Grade	(%TCu)	3.75%	3.80%	3.49%	5.24%	3.88%	3.66%
SHGO	(%TCu)	5.50%	0.00%	0.00%	0.00%	0.00%	6.96%
HGO	(%TCu)	5.97%	7.28%	6.21%	7.29%	5.28%	4.71%
MGO	(%TCu)	3.17%	3.67%	3.34%	2.92%	2.49%	2.14%
LGO	(%TCu)	1.18%	1.27%	1.20%	1.14%	1.02%	1.03%
Total Mined	('000 BCM)	8,538	2,792	3,474	238	905	2,623
Ore Mined	('000 BCM)	3,125	951	1,477	142	433	714
Waste Mined	('000 BCM)	5,413	1,841	1,997	96	472	1,909
Total Mined	(t/m³)	2.03	2.19	1.71	1.96	1.89	1.83
Ore Mined	(t/m ³)	1.88	1.51	1.70	2.10	2.02	2.00
Waste Mined	(t/m ³)	2.12	2.55	1.72	1.77	1.77	1.77
Total Mined	(kt)	17,310	6,118	5,957	468	1,709	4,803
Ore Mined	(kt)	5,865	1,439	2,514	297	875	1,427
Waste Mined	(kt)	11,463	4,698	3,443	171	835	3,376
Stripping Ratio	(twaste:tore)	1.95	3.27	1.37	0.57	0.95	2.37
Mining Costs							
Mining	(US\$K)	58,215	14,701	23,994	2,667	6,330	18,019
Technical Services	(US\$K)	5,173	1,159	1,430	342	987	1,996
Total	(US\$K)	63,388	15,859	25,423	3,009	7,317	20,015
Unit Costs	(US\$/t_{mined})	3.66	2.59	4.27	6.43	4.28	4.17
	(US\$/BCM_{mined})	7.42	5.68	7.32	12.63	8.09	7.63

9.6 Summary Comments, Risks and Opportunities

SRK considers that the mining engineering related aspects of the current LoMp are appropriate to support the current Ore Reserve declarations and the accompanying production schedules. Notwithstanding this there remain a number of key elements which may negatively impact on the overall mining production schedules, specifically in respect of the Black Shale and reconciliation work completed to date (Section 6.5).

Specific Risks

- That the currently assumed dewatering rates (600l/s) and corresponding mining operating expenditures (US\$2.20m per annum) may be understated and that this could increase towards the maximum predictions of 1,000l/s with a corresponding operating expenditure of US\$3.67m per annum; and
- That a re-optimisation analysis with higher operating expenditures may result in a 15% reduction in total Ore Reserves assuming a copper price assumption of USc175/lb.

Specific Opportunities

- Improvement in the design efficiency thereby reducing the design waste tonnage to less than +10% for Tshifufia and Tshifufiamashi; and
- Optimisation in the WRD designs given the apparent ample margin of safety in respect of design volume capacities.



10 MINERAL PROCESSING

10.1 Introduction

Historically, mineral processing facilities at Kinsevere Mine were distinguished by Stage 1 and Stage 2 operations, with the former comprising the EAF and HMS Plant and the latter singularly focused on the SX-EW Plant. The EAF ceased operations in the third quarter of 2008, the HMS Plant ceased operations on 24 June 2011 and the SX-EW Plant is currently in ramp-up phase with the intention of achieving nameplate capacity of 60ktpa of copper and 1.6Mtpa mill throughput.

The current SX-EW Plant assumes that during the latter period of the mine life, low grade stockpiles are blended with HMS Plant effluent and a portion of the HMS Plant floats. The greater proportion of stockpiled HMS Plant floats is processed by heap leach methods in the designated sections (ponds) within the current TSF. The inclusion of the heap leach process is however of limited operating life and was assumed to commence in May 2011 and ceasing in June 2012.

10.2 Metallurgical Studies

The 2007 Feasibility Study outlined the development of metallurgical facilities at Kinsevere Mine whereby Stage 1 comprised a combined HMS Plant and EAF Plant, followed by Stage 2 comprising an agitated leach and SX-EW Plant. The Stage 1 development project incorporating the HMS Plant was commissioned in June 2007, producing malachite concentrate for sale. An EAF Plant to smelt the HMS concentrate to produce approximately 25ktpa of 'black copper' was then partly constructed.

In September 2006 AMCK commissioned Lycopodium to conduct an Engineering Cost Study ("ECS") for a SX-EW Plant to produce 60ktpa of LME Grade A quality copper cathode. The objective of the ECS was to finalise all of the process technical and financial details into a Feasibility Study. Following completion of an interim report in April 2007, AMCK in conjunction with its consultants introduced several enhancements to the Stage 2 processing flowsheet which were considered and included in the 2007 Feasibility Study.

Both the Stage 1 and Stage 2 flowsheets were designed for the processing of oxide and transitional ores. Cobalt recovery and the processing of underlying sulphide ores are planned for consideration in future project studies.

In early July 2007, Ausenco was appointed as the EPCM contractor for the Stage 2 SX-EW facility.

10.3 Mineralogy

Most of the project resource defined to date represents oxide copper mineralisation in a thick (>100m) supergene blanket that overlies sulphide mineralisation. The oxide ore minerals are predominantly malachite ($\text{Cu}_2\text{CO}_3(\text{OH})_2$) and pseudomalachite ($\text{Cu}(\text{PO}_4)_2(\text{OH})_4$), with minor chrysocolla ($(\text{Cu},\text{Al})_2\text{H}_2\text{Si}_2\text{O}_5(\text{OH})$) and very little intergrown heterogenite ($\text{CoO}(\text{OH})$). These minerals may occur as disseminations and/or in veins and veinlets, which sometimes coalesce into prominent "clots".

A major portion of the malachite occurs as coarse (0.2mm to 0.7mm), crystalline, and sometimes bladed crystals, although a significant amount is also contained within gangue material composed of goethite, quartz and phyllosilicates. Pseudomalachite is noticeably finer-grained than malachite and usually occurs in the dominant gangue minerals, goethite or micaceous silicates. Minor sulphides (usually chalcopyrite) sometimes occur in the oxide ore zone, but these are usually restricted to the fresh rock beneath, or to the $\pm 10\text{m}$ to 20m thick transition zone between the weathered and un-weathered material.

The base of oxidation is commonly an irregular surface which varies with the rock fabric. The copper grades in the oxide zone are generally significantly higher than in the primary zone. They are also more erratic and tend to form laterally discontinuous layers crosscutting bedding surfaces. Primary mineralisation is commonly stratiform and occurs as finely disseminated layers, as stratiform veins or replacements of framboidal iron sulphide nodules. Copper sulphide minerals include chalcopyrite (CuFeS_2), pyrite (FeS_2), chalcocite (Cu_2S), cuprite (Cu_2O) and bornite (Cu_5FeS_4).

10.3.1 Black Shales

At Tshifufia, a carbonaceous Black Shale with elevated levels of sulphide minerals occurs within the Dolomitic Shale (“SD”) horizon of the Upper Orebody. It occurs in a reducing environment reflective of a mixed oxide/sulphide transition zone. This material has been and continues to be separately stockpiled. More recently investigations have been initiated to assess any potential impact on the Mineral Resources and Ore Reserves and to investigate the risk of reduced recovery in the Stage 2 acid leach and SX-EW circuit.

A review of the metallurgical test-work carried out for the 2007 Feasibility Study was recently completed. The master composite and variability composite head assays did show higher levels of total sulphur and sulphide sulphur for Tshifufia than Tshifufiamashi. Furthermore the ratio of ASCu/TCu in the head assays clearly identified those samples which contained Black Shale. It was confirmed that master composite acid soluble recovery (at design pH 1.5 and 212 micron) was consistent for the three deposits and averaged 96% although there were some anomalies in the results. By comparison, the process design recovery and that used for Ore Reserves estimation were 93.00% and 92.14%, respectively. One of the Tshifufia variability composites was found to be entirely Black Shale and leach test results on that sample suggested that ASCu recovery would not be less than 90% under design leach parameters.

Further to the above review in Q1 and Q2 2011, technical work proceeded on the detailed mapping of Tshifufia and Tshifufiamashi pits in Q1 and Q2 2011 in order to improve the SD definition in the Mineral Resource and grade control models. This has now been accomplished, thereby allowing mining selectivity to be improved in respect of Black Shale.

A three-hole programme of diamond drilling, time-varied assaying and mineralogical correlation of Black Shale is in progress, in order to test the reactivity of this ore type.

Metallurgical testwork is currently in progress at the Gécamines laboratory in Likasi, with the objective of establishing leach performance of Black Shale and alternative processing methods should such performance be unacceptable.

The parcel of Black Shale treated had an ASCu/TCu ratio of 0.5. The ASCu recovery of this material was estimated at 74%, some 10% to 15% lower than typical oxide ores based on calculated shift performance. It was noted that a longer campaign would be required to determine the recovery over a wider range of ASCu/TCu ore ratios.

Further work is required to confirm the level of Black Shale that would be viable to treat. This would involve a programme of testwork to quantify the multivariable relationships between the ASCu/TCu ratio, leach dissolution and reagent consumption.

10.4 Metallurgical Testwork

Samples and Head Assay

Initial testwork focussed on the optimisation of the operating parameters affecting leaching, such as grind size, pH and leach duration. This was performed on master composites representing each of the three major deposits.

Master composites were prepared for each deposit by sequentially eliminating the individual samples with the highest copper grades until the average TCu grades for each deposit matched the then anticipated average mining grades. Sample grades were seen to generally be in good agreement with the grades assumed in the 2007 Feasibility Study.

In mid-2006 fresh HQ sized drill core was obtained for variability and semi-autogenous grind mill testwork. The variability samples are seen to represent a wide range of grades. An aerial photograph included in the 2007 Feasibility Study suggests that the metallurgical drill-hole collar locations provide good coverage of the three orebodies which was confirmed in a review of plans and sections in the geological model.

Mineralogy

Mineralogical investigations confirmed that malachite is the predominant copper mineral in each of the Kinsevere Mine oxide deposits. Significant chalcopyrite was also present in the Tshifufia sample which was further supported by Inductively Coupled Plasma Mass Spectrometry (“**ICP**”) analysis. It was further suggested that this should be separable during the mining process. Should this not materialise, this could contribute to lower leach dissolution at Tshifufia.

Size by assay analysis of the master composites indicated that there was a gradual decrease in copper grade with particle size, however, economic upgrading of the sample by de-sliming did not appear feasible.

Physical Parameters

Determinations found the SG of the master composites to be very similar in the range 2.65 to 2.75.

Comminution

Comminution tests were completed on samples from three deposits included Average Bond Impact Crushing Work Indices (1.4kWh/t to 3.5kWh/t) and Unconfined Compressive Strengths (7.6MPa to 16.4MPa) which indicate material of low strength.

Following examination of the fresh drill core it was concluded that the core was extremely soft and that insufficient competent material was available to perform a full JKTech Drop Weight test. That said the semi-autogenous grinding ("**SAG**") Mill Comminution ("**SMC**") tests were performed based on the Drop Weight index ("**DWi**") which all rated as being 'very soft' in terms of the JKTech database.

Ideally a full JKTech Drop Weight test should be performed for each batch of SMC tests to provide the most accurate correlation between the DWi and 'A' and 'b' values. In view of the softness of the ore however, this is not considered a significant issue.

The Rod Mill Work and Ball Mill Work indices varied both between and within the deposits, but were generally typical of soft oxidised ore. All deposits recorded very low Abrasion indices in the range 0.01 to 0.03.

Site Water

Leach tests were conducted in Australia with locally sourced Perth water. This is however considered unlikely to have had any impact on leach test performance. Site water from the Muombe River was shown to be relatively good quality with no indication of dissolved elements or anions that were likely to be deleterious to the process.

Leaching

A series of leach tests were performed on each master composite to investigate the effect of grind size, leach pH and leach duration. The tests were performed at grind P80 of 150µm and P80 212µm and the leach pH was maintained at either pH 1.5, 1.8 or 2.0 for a period of 12h using sulphuric acid.

Sulphuric acid leaching from all the master composites achieved very high dissolution of acid soluble copper. Leach kinetics were rapid with only 4h to 8h required to effect near maximum acid soluble copper dissolution. Increasing the leach time from 4h to 8h increased the ASCu recovery by around 2.5% and further from 8h to 12h improved extractions by an additional 1%. Lowering the pH from 2.0 to 1.5 resulted in improved dissolution of about 1%. The benefit of finer grind was inconsistent although Tshifufiamashi samples responded favourably to grinding to a P80 of 150µm from a P80 of 212µm, with ASCu recoveries improving between 0.7% and 1.4% over an 8h leach.

The results also indicated very low Gangue Acid Consumption ("**GAC**") as follows: Tshifufia (3.1kg/t to 6.4kg/t); Tshifufiamashi (13.2kg/t to 17.7kg/t); and Kinsevere Hill (6.0kg/t to 10.6kg/t).

Dissolution in terms of total copper was obviously lower, with TCu recoveries after 12h ranging as follows: Tshifufia (76.8% to 79.6%); Tshifufiamashi (91.2% to 93.6%); and Kinsevere Hill (90.5% to 92.3%).

The leach extractions for Tshifufia samples were considerably lower than the other two deposits but this would be expected in view of the higher levels of sulphide sulphur observed

in mineralogical studies. This was further confirmed in mineralogical examination of the Tshifufia leach tailings that indicated presence of chalcopyrite and digenite. Whilst it is believed that the Tshifufia sample extended too far into the transitional zone, this does demonstrate the impact that feed mineralogy is likely to have on plant performance particularly when the feed is contaminated with either transitional or primary ore. In such event, the negative impact on recovery may in part be offset by the leaching of secondary sulphides in the tailings dam.

Leach Solutions

The resulting leach solutions from the suite of leach tests under the optimum conditions were analysed to determine if any deleterious elements or ions were present. Generally the levels of iron, calcium, manganese, molybdenum, silica and chloride were well below those at which they would become problematic in the downstream SX-EW Plant. In reality though these levels are likely to increase due to recirculation of solution from the tailings dam.

Potential manganese permanganate build-up in the electrolyte should be carefully monitored, however Ausenco has identified counter measures to combat this issue.

Tailings Leach

Bucket leach tests were performed on non-neutralised leach tailings from each deposit to simulate the conditions in the tailings dam if acidified tailings disposal was adopted. The leach recovery of the secondary sulphides ranged from 53% to 92% and the results suggested that at least 50% of the residual acid soluble copper could be dissolved in the tailings dam. This suggests that there is strong motivation for disposing of non-neutralised tailings.

Other metallurgical testwork undertaken included: testing of pre-leach and post-leach slurries; neutralisation; solvent extraction; rheology; and effluent treatment options for excess solution in the TSF.

Metallurgical Recoveries

It is reported that following an analysis of test results, the interim report in April 2007 arrived at an initial interpretation of a variable recovery relationship for each of the three deposits. These relationships were however based on limited data and accordingly Anvil in the current LoMp, as per the 2007 Feasibility Study has assumed a fixed recovery of 92.14%.

10.5 Flowsheet Design and Process Description

The milling circuit includes the concept of 'milling in raffinate', whereby acidic raffinate from the SX module is used as liquor addition into the milling circuit. This concept minimises the addition of fresh water into the circuit, reduces acid consumption, and eliminates the pre-leach solid/liquid separation circuit. In addition to needing a corrosion resistant mill for this enhancement, other plant design modifications are required to prevent corrosion within the grinding circuit.

To eliminate the large quantities of lime and limestone usage and to further reduce acid consumption, the concept incorporates 'direct tailings disposal' of non-neutralised tailings. This allows excess acidic solution from the TSF to be returned to the plant, eliminates

limestone/lime reagents and tailings neutralisation circuits, but requires a high density polyethylene (“**HDPE**”) lined TSF. As the designed tailings storage facility can withstand a 1 in 1,000 year 24h storm event, the risk of having to discharge excess water from the TSF is minimal, however an emergency neutralisation back-up facility has been included within the plant design to allow the tailings dam water balance to be controlled if necessary.

Design Capacity

The SX-EW Plant has a design capacity of 1.62Mtpa.

Comminution

The ore will be fed to a 625mm mineral sizer which will discharge crushed ore at a controlled rate directly to the mill feed conveyor. The circuit does not include a coarse ore stockpile. This was deemed inappropriate for such weathered ore that would often be wet, in turn resulting in reduced stockpile capacity due to material hang up. In order to promote consistent mill feed, a bigger mineral sizer than required was selected due to its ability to handle larger rocks. If the mineral sizer is off-line, the Stage 1 jaw crusher product can be diverted to supply the mill feed. Both the mineral sizer and the jaw crusher have the capacity to handle double the required throughput should the process plant be subsequently expanded.

The grinding mill is a 2.55MW variable speed Primary Ball Mill (5.79mØ by 5.79m) containing 15% v/v ball load. The mill shell internals have been coated with epoxy to provide a corrosion resistant lining enabling the ore to be slurried with acidic high grade raffinate. The mill operates in closed circuit with hydrocyclones which discharges cyclone overflow at 30% pulp density and a P80 of 212µm direct to the leach circuit.

Leaching

The leach pulp density will be reduced to 18.5% solids with the further addition of acidic high grade raffinate, and the pH is adjusted to 1.5 with fresh sulphuric acid addition. The leach plant consists of three 1,860m³ leach tanks in series, and the leached product will pass onto the post-leach thickeners for solid-liquid separation.

Initially, the leach product discharges to the high grade thickener (“**HGT**”) which generates high grade pregnant leach solution (“**PLS**”) as its overflow. This is then treated in a pinned bed clarifier (“**PBC**”) to minimise the levels of entrained solids reporting to the high grade SX module.

Solvent Extraction and CCD

High grade thickener underflow is pumped to a series of five counter current decantation (“**CCD**”) thickeners which utilises low grade SX raffinate as the wash stream to maximise soluble copper recovery from the slurry. CCD thickeners operate with underflows with pulp densities of approximately 60% solids to assist copper recovery. The overflow from CCD 1, termed low grade pregnant leach solution (“**PLS**”), is clarified prior to treatment through the low grade SX module. CCD 5 underflow will pass to the TSF after dilution to 45% solids to reduce the effect of rheology on the pumping system.

The SX module will consist of two separate modules operating in parallel. The high grade PLS containing around 75% of dissolved copper reports to the high grade SX module while the low grade PLS is treated in the low grade SX module. The two SX modules consist of four conventional mixer-settlers configured as two extract and two strip stages operating in series. A standard organic copper extractant is used in a high flash point kerosene diluent. The SX plants will chemically purify and concentrate the PLS copper solution, while rejecting other anions and cations such as iron, manganese, calcium and chloride.

The individual raffinate streams discharged from the two SX modules remain separate allowing the more acidic high grade raffinate to be recycled to dilute incoming leach feed while the less acidic and lower copper tenor low grade raffinate is recycled as the CCD wash stream. This routing of the two raffinate streams ensures that the amount of copper and acid passing out as underflow from CCD 5 to the TSF is minimised.

The combined strong electrolyte streams from the two SX modules are pumped through multi-media filters ahead of electrowinning. The filters contain garnet, sand and anthracite, to remove any solids and entrained organic which would adversely affect the copper cathode quality.

Electrowinning

The electrowinning tankhouse has been designed with two identical sections, each with their own electrolyte circuit, with a centrally located semi-automatic stripping machine serviced by an overhead crane for manual harvesting and stripping of cathodes. Two 48,000 'A' rectifiers supply a direct current to both sides of the tankhouse.

In the tankhouse, electrowinning takes place at a current density of 290A/m² and a current efficiency of 90%. A bleed stream of electrolyte is returned to the leach circuit as necessary, to maintain the iron level in electrolyte at acceptable levels in order to maintain an adequate current efficiency. The stainless steel cathode blanks are stripped of their deposited copper on a seven-day cycle. The harvested copper cathodes will be sampled and bundled prior to export.

Control

The process plant will be operated from a single control room using a Supervisory Control and Data Acquisition ("**SCADA**") system, a standard feature of modern leach/SX-EW plants. The control room will also operate the following facilities:

- Flocculant & coagulant preparation and dosing;
- Sulphuric acid storage and dosing;
- Diluent and extractant storage for the SX module; and
- Fire water system and slurry event ponds.

The design of reagent storage facilities has taken cognisance of the logistical difficulties involved in maintaining a reliable supply to the DRC. Consequently on-site storage facilities have been designed to handle between two and three months' supply of all reagents.

Water supply

Following the increased dewatering requirement of 600l/s and up to 1,000l/s inadequate supply of process water from pit dewatering is now considered less of an issue. In the unlikely event that this was to occur, it is possible that make-up water is extracted from the Kifumashi River, however limited technical analysis has been undertaken with respect to this.

Figure 10-1 presents a schematic flowsheet of the Stage 2 processing facility.

10.6 LoMp Process Schedule

The three orebodies are developed by conventional open-pit mining methods. Once delineated by grade control, ore is excavated and loaded into articulated dump trucks for cartage to the RoM pad where it will be dumped on various stockpiles according to grade. This is to allow selective loading of the RoM bin during processing to control ore feed grade to the SX-EW Plant. Table 10-1 presents a summary of the various source material processed in the SX-EW Plant and via the Heap Leach process in the TSF. Table 10-2 presents an annual summary of the LoMp process schedules for the SX-EW Plant and the Heap Leach process.

The Heap Leach process commenced in May 2011 and is planned to continue at some 45ktpm until cessation of processing in June 2012. The ASCu grade is assumed via application of an 85% adjustment factor to the stockpiled grade (2.65%ASCu) and the overall recovery is determined assuming a recovery of 85% and an “availability” of 95% which is then combined to an overall recovery factor of 80.75% which is applied to the stockpiled grade and does not include the 85% adjustment factor.

The SX-EW Plant commenced in April 2011 with nameplate capacity (1.6Mtpa; 60ktpa of Cu) expected to be achieved in Q1 2012. Processing of RoM material at grades exceeding 3.50%ASCu continues until 2021, but from 2022, it reduces to less than 2%ASCu on introduction of the low-grade stockpiles as well as the remaining floats and effluent stockpiled from Stage 1 HMS Plant discard. Metallurgical processing is assumed to cease in August 2027. The process plant build-up to name plate capacity (tonnage) is assumed over a six month period to December 2011 with metallurgical recovery gradually increasing from 61.42% in May through to 90.19% by December 2011.

Table 10-1: Kinsevere Mine: Stage 2 LoMp process source

Statistics	Tonnage (kt)	Grade (%TCu)	Grade (%ASCu)	Content (ktTCu)	Content (ktASCu)
Heap Leach	405	2.65%	2.25%	11	9
SX-EW	25,131	3.68%	3.00%	926	755
RoM + stockpiles	24,031	3.75%	3.04%	902	731
Floats	88	2.24%	2.24%	2	2
Effluent	1,012	2.15%	2.15%	22	22
HL + SX-EW	25,536	3.67%	2.99%	936	764

Table 10-2: Kinsevere Mine: Stage 2 LoMp process schedule

Processing	Units	Q4 2011	2012	2013	2014	2015	2016	2017	2018	2019
Tonnage	(kt)	532	1,885	1,622	1,600	1,600	1,605	1,600	1,600	1,600
Heap Leach	(kt)	135	270	-	-	-	-	-	-	-
SX-EW	(kt)	397	1,615	1,622	1,600	1,600	1,605	1,600	1,600	1,600
Grade	(%TCu)	3.84%	4.39%	4.98%	4.98%	4.98%	5.07%	5.23%	4.71%	4.60%
Heap Leach	(%TCu)	2.65%	2.65%	-	-	-	-	-	-	-
SX-EW	(%TCu)	4.25%	4.68%	4.98%	4.98%	4.98%	5.07%	5.23%	4.71%	4.60%
Grade	(%ASCu)	3.07%	3.50%	4.07%	4.06%	4.06%	4.07%	4.07%	4.06%	4.07%
Heap Leach	(%ASCu)	2.25%	2.25%	-	-	-	-	-	-	-
SX-EW	(%ASCu)	3.35%	3.71%	4.07%	4.06%	4.06%	4.07%	4.07%	4.06%	4.07%
Recovery	(%)	90.84%	92.40%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%
Heap Leach	(%)	95.00%	95.00%	-	-	-	-	-	-	-
SX-EW	(%)	89.89%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%
Recovered	(ktCu)	15	61	61	60	60	60	60	60	60
Heap Leach	(ktCu)	3	6	-	-	-	-	-	-	-
SX-EW	(ktCu)	12	55	61	60	60	60	60	60	60
Processing	Units	2020	2021	2022	2023	2024	2025	2026	2027	LoMp
Tonnage	(kt)	1,605	1,600	1,604	1,602	1,607	1,602	1,279	992	25,536
Heap Leach	(kt)	-	-	-	-	-	-	-	-	405
SX-EW	(kt)	1,605	1,600	1,604	1,602	1,607	1,602	1,279	992	25,131
Grade	(%TCu)	4.54%	4.15%	2.15%	1.52%	1.36%	1.32%	1.61%	1.76%	3.67%
Heap Leach	(%TCu)	-	-	-	-	-	-	-	-	2.65%
SX-EW	(%TCu)	4.54%	4.15%	2.15%	1.52%	1.36%	1.32%	1.61%	1.76%	3.68%
Grade	(%ASCu)	4.06%	3.61%	1.57%	1.11%	0.99%	0.96%	1.17%	1.29%	2.99%
Heap Leach	(%ASCu)	-	-	-	-	-	-	-	-	2.25%
SX-EW	(%ASCu)	4.06%	3.61%	1.57%	1.11%	0.99%	0.96%	1.17%	1.29%	3.00%
Recovery	(%)	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.13%
Heap Leach	(%)	-	-	-	-	-	-	-	-	95.00%
SX-EW	(%)	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.14%	92.10%
Recovered	(ktCu)	60	53	23	16	15	14	14	12	704
Heap Leach	(ktCu)	-	-	-	-	-	-	-	-	9
SX-EW	(ktCu)	60	53	23	16	15	14	14	12	695

10.7 Commissioning Status and Plant performance statistics

Hot commissioning of the Stage 2 processing facilities commenced in April 2011. In addition to typical commissioning challenges a few significant issues had to be overcome or are in the process of being rectified:

- Coarse rocks choke the static grizzly at the RoM bin and there is also a tendency for fine material to accumulate on the grizzly bars. Ultimately this area might need to be re-engineered but in the immediate term it is planned to install a mobile rock breaker;
- Shortly after the mill was operated for the first time, a number of lifters within the mill failed. This failure resulted in the grinding media impacting and damaging the protective epoxy shell lining. The damage required repairs to the epoxy lining as well as the installation of new lifters and liners. The repaired epoxy has since been inspected by the mill manufacturer and declared to be satisfactory. A programme of ongoing monitoring has been implemented. In addition, ordering of a full stainless steel replacement shell is under consideration, the total purchase, transportation, installation and commissioning cost of which is US\$5m;
- An operational shortcoming resulted in a significant volume of the organic solvent from the solvent extraction settlers being pumped to the electro-winning tank house. This resulted in a negative impact on tankhouse operations. Operational procedures have been tightened up to avoid a similar recurrence;
- There have been numerous trip outs and failures of the electro-winning transformers. Two new transformers have been ordered and refurbishment of the existing transformers will be scheduled once the new transformers are installed;

- There have been numerous failures of the electronic cards in the electrowinning rectifiers. The incidence of failure seems to have reduced but the source problem has not yet been identified;
- Electrical shorting continues to contribute towards low current efficiency in the electro-winning cells. A number of contributory factors have been identified including ineffective anode spacers, poorly aligned electrodes, tight spacing of electrodes and relatively thick anodes. A programme has been implemented to replace the star spacers located on the anode faces with alternative spacers located on anode edges. New capping boards will be installed to improve electrode alignment. Not much can be done to change the electrode spacing and anode thickness in the short-term but improved training should minimise electrode damage during removal and replacement; and
- The tailings pumps have been identified as key bottleneck. Consideration is being given to installing larger pumps but it is recommended that a design review be undertaken before finalising remedial actions.

Upon review of the daily and monthly operating statistics for the heap leach processing and SX-EW Plant to September 2011 the following key observations can be made:

- lost production days are largely a thing of the past;
- design operating time has not yet been achieved. This may be optimistic considering that there is no intermediate buffer capacity between the primary crusher (mineral sizer) and the ball mill and no buffer of ground ore;
- the daily tonnage throughput regularly exceed both the ramp-up and LoMp targets, with the monthly build up totals remaining on target (other than for July);
- cathode production remains in advance of the monthly build up targets other than for August (91%). This is however influenced by the higher actual than planned grades, specifically for June and July. The below par production of cathode in August is due to a number of factors including transformer failures, rectifier card failures and electrical shorts. Whilst lower feed grades were experienced in August and September steps have been taken to remedy most of the identified shortcomings; and
- Operating expenditures in August were noted at US\$33.60/t_{milled} for a total tonnage throughput of 106kt. This compares well with the corresponding cost of US\$36.74/t_{milled} on attainment of maximum throughput in 2012 for a full year.

During August 2011, milling campaigns were conducted to determine maximum feed rates to the mill, acid leach, CCD and tailings circuits and thereby identifying process bottlenecks. Indications are that the mill will be able to treat up to 270 dry tonnes per hour. Should such milling performance be sustained, this would present an opportunity to significantly increase plant throughput subject to increased downstream copper production capacity being installed. Notwithstanding this it should be cautioned that ore hardness could increase with depth or with the introduction of the Tshifufiamashi pit in which harder ore was identified during test-work.

10.8 Operating Expenditure

The operating expenditure assumptions incorporated into the LoMp have been significantly amended from those assumptions incorporated into the optimisation analysis which support the latest Ore Reserve declarations. Operating expenditure assumptions have been developed on a first principal basis and incorporate distinct and separate assumptions for labour; consumable stores; power; water; maintenance; and other expenditures.

Table 10-3 gives a breakdown of the total process related operating expenditures for the heap leach and the SX-EW Plant from 2011 through to cessation of production in 2027. The average LoMp operating expenditures expressed on a unit basis are estimated at US\$7.03/t_{milled} and US\$33.19/t_{milled} for the heap leach and SX-EW respectively. It is however important to note, that a significant portion of the operating expenditure is directly related to copper loading in the system and therefore, upon processing of lower grade material from 2022, the SX-EW Plant expenditures are noted to reduce to some US\$27/t_{milled}.

On a unit of copper produced basis the unit expenditures equate to USc15/lb copper and USc54/lb copper for heap leach and SX-EW Plant respectively which in total provide a weighted average of USc54/lb copper. As previously noted the operating expenditures have increased significantly (144%) from that assumed for declaration of the 2010 Statements (Anvil) which were noted at US\$22.10/t_{milled} for the SX-EW Plant.

Table 10-3: Kinsevere Mine: LoMp process operating expenditures

Processing	Units	Q4 2011	2012	2013	2014	2015	2016	2017	2018	2019
Opex										
Heap Leach	(US\$m)	0.95	1.90	-	-	-	-	-	-	-
SX-EW	(US\$m)	13.27	59.34	59.44	58.64	58.65	58.83	58.70	58.66	58.67
Total	(US\$m)	14.22	61.24	59.44	58.64	58.65	58.83	58.70	58.66	58.67
Tonnage Milled										
Heap Leach	(kt)	135	270	-	-	-	-	-	-	-
SX-EW	(kt)	397	1,615	1,622	1,600	1,600	1,605	1,600	1,600	1,600
Total	(kt)	532	1,885	1,622	1,600	1,600	1,605	1,600	1,600	1,600
Copper Produced										
Heap Leach	(ktCu)	3	6	-	-	-	-	-	-	-
SX-EW	(ktCu)	12	55	61	60	60	60	60	60	60
Total	(ktCu)	15	61	61	60	60	60	60	60	60
Unit Costs										
Heap Leach	(US\$/t _{milled})	7.03	7.03	-	-	-	-	-	-	-
SX-EW	(US\$/t _{milled})	33.42	36.74	36.64	36.65	36.65	36.67	36.68	36.66	36.67
Total	(US\$/t_{milled})	26.72	32.48	36.64	36.65	36.65	36.67	36.68	36.66	36.67
Unit Costs										
Heap Leach	(USc/lbCu)	15	15	-	-	-	-	-	-	-
SX-EW	(USc/lbCu)	50	49	44	44	44	44	44	44	44
Total	(USc/lbCu)	43	46	44	44	44	44	44	44	44
Processing	Units	2020	2021	2022	2023	2024	2025	2026	2027	LoMp
Opex										
Heap Leach	(US\$m)	-	-	-	-	-	-	-	-	2.85
SX-EW	(US\$m)	58.81	56.21	45.28	42.76	42.24	41.97	35.24	27.28	834.00
Total	(US\$m)	58.81	56.21	45.28	42.76	42.24	41.97	35.24	27.28	836.84
Tonnage Milled										
Heap Leach	(kt)	-	-	-	-	-	-	-	-	405
SX-EW	(kt)	1,605	1,600	1,604	1,602	1,607	1,602	1,279	992	25,131
Total	(kt)	1,605	1,600	1,604	1,602	1,607	1,602	1,279	992	25,536
Copper Produced										
Heap Leach	(ktCu)	-	-	-	-	-	-	-	-	9
SX-EW	(ktCu)	60	53	23	16	15	14	14	12	695
Total	(ktCu)	60	53	23	16	15	14	14	12	704
Unit Costs										
Heap Leach	(US\$/t _{milled})	-	-	-	-	-	-	-	-	7.03
SX-EW	(US\$/t _{milled})	36.65	35.13	28.24	26.69	26.29	26.20	27.54	27.49	33.19
Total	(US\$/t_{milled})	36.65	35.13	28.24	26.69	26.29	26.20	27.54	27.49	32.77
Unit Costs										
Heap Leach	(USc/lbCu)	-	-	-	-	-	-	-	-	15
SX-EW	(USc/lbCu)	44	48	89	118	130	134	115	105	54
Total	(USc/lbCu)	44	48	89	118	130	134	115	105	54

10.9 Capital Expenditure

There is no significant capital expenditure items scheduled in the current LoMp which directly relate to the mineral processing facilities. Notwithstanding this SRK notes that should there be a need to facilitate a change to either a stainless steel mill and/or implementation of more conventional milling options, the additional capital expenditure requirements would be of around US\$5.00m and US\$20.00m respectively, which excludes any effect on operating costs and assumed loss of production in the change-over periods.

10.10 Future Considerations

90ktpa Expansion Study

Recent technical studies commissioned by AMCK, consider the potential for increased copper production by bringing forward the processing of lower grade stockpiles, currently planned for treatment from 2022 onwards.

Four options were considered as part of a Front End Engineering Design (“**FEED**”) study which included high-grade operation of the existing plant, the addition a new heap leach facility as well as expansion options involving solvent extraction, electro-winning processing, and with parallel heap leaching in order to increase copper cathode production from 60ktpa to 90ktpa.

Based on a combination of economic performance and risk management considerations, the preferred option comprised increasing copper production to 90ktpa with low grade heap leach and SX-EW expansion for a total additional capital expenditure of US\$215.5m (US\$135.0m initial). Operating expenditures were estimated at US\$59.76/t_{milled} or US\$118/lb. The principal changes included the addition of the low grade heap leach facility, additional acid tank, one low grade SX circuit and an additional electro-winning circuit with 30ktpa capacity.

Sulphide Processing

A suite of sighter flotation tests have been undertaken to investigate the effect of grind size on recovery. Both the concentrate recovery and grade increased with the fineness of grind and the copper concentrate generated at P₈₀ of 75 microns assayed 16.5% copper representing 87.2% recovery.

Viability of Cobalt Recovery

On attaining nameplate capacity it is anticipated that the Stage 2 SX-EW will have approximately 3,500t of contained cobalt reporting to the tailings effluent. Approximately 50% of this cobalt is considered to be acid soluble and will already be in solution in the leach discharge. A high level assessment was completed in 2008, which indicated that the combined impact of the grades and metallurgical recoveries would most likely result in operating cash costs which report to the higher end of the production cost profile.

10.11 Summary Comments

SRK Considers that the current flowsheet design as constructed is appropriate to facilitate execution of the current LoMp. There remains however a number of performance related risks which are detailed below.

Milling in Raffinate and Direct Tailings Disposal

Milling in Raffinate (“**MIR**”) is not widely practiced, but has been successfully implemented using a stainless steel mill at Sepon in Laos and is currently being considered by others. The feed to the Sepon plant is predominantly a clay ore with low crushing and milling work indices. In terms of material handling and comminution characteristics, the Kinsevere Mine ore is thus very similar to the Sepon ore. In addition Baja Mining’s Boleo copper-cobalt-zinc-manganese project in Mexico has also been designed with milling in raffinate.

The primary risk in relation to MIR is the potential corrosion of the mill and ancillary equipment. In recognition of this, AMCK has considered the procurement of a full stainless steel replacement shell.

Whilst difficult to confirm, the benefits of direct tailings disposal (“**DTD**”) provides strong motivation for disposing of non-neutralised tailings if environmentally acceptable. The method is not widely used, however was practised by Bwana Mkubwa in Zambia whilst still operational.

To SRK’s knowledge no copper project has yet implemented both MIR (with an epoxy resin lined mill) and DTD as proposed for the Kinsevere Mine.

Black Shale Processing

The current LoMp process schedules are reliant upon block models which have not been updated for the potential presence of “untreatable black shale”. Analyses of the carbonaceous black shale units completed to date indicates that metal content hosted by black shale may represented between 11% and 4% of the current metal content of the supporting geological model. Accordingly, given the potential for lower metallurgical recoveries and higher process costs, further analysis is required to assess the impact of this material.

Other Specific Risks

The specific risks which relate directly to mineral processing at the Kinsevere Mine are:

- Fire in SX circuit: The risk of fire in SX circuits is both real and significant. Such eventuality should initially be addressed in detailed engineering design where measures should be taken to minimise static build up and prevent the generation of mists or foams. Operational procedures are in place to minimise the potential for inadvertent solvent ignition with the restriction of cell phone use in the SX area along with other preventive procedures. It is recommended that automatic fire detection and fire extinguishing systems are installed and that a risk assessment is undertaken;
- Poor availability of EW Rectifiers: Although the incidence of failure has been reduced, the source problem has not been identified. Two new transformers have been ordered and refurbishment of the existing transformers will be scheduled once the new transformers are installed;
- Low EW current efficiency: Electrical shorting continues to contribute towards low current efficiency in the electro-winning cells. A programme has been implemented to replace the star spacers located on the anode faces with alternative spacers located on anode edges. New capping boards will be installed to improve electrode alignment. Not much can be

done to change the electrode spacing and anode thickness in the short term but improved training should minimise electrode damage during removal and replacement; and

- Non availability of sulphuric acid: Kinsevere Mine currently relies on a single supplier of sulphuric acid and investigation for procurement from alternate sources of acid is considered by SRK to be beneficial as a risk management option.

Specific Opportunities

- Potential operation of the existing plant at a higher current density (similar to that seen with global peers such as the Sepon mine in Laos) to enable a copper cathode production rate higher than nameplate capacity of 60ktpa;
- 90ktpa Expansion Study: Indications of excess capacity in the front end comminution and leaching process present an opportunity to increase throughput beyond the name plate capacity. It is recommended that further work is undertaken to demonstrate that an expansion is both technically feasible and economically viable;
- Sulphide Ore Processing: Exploitation of the sulphide orebodies obviously presents a major project opportunity. Such opportunity might be further enhanced by employing technologies that maximise synergies associated with processing of low grade oxide ores when acid generating primary sulphides are processed; and
- Cobalt Processing: The presence of cobalt in the feed ore presents an opportunity to improve project economics by recovering cobalt either as a salt or high purity metal. This however requires further technical investigations.

11 TAILINGS STORAGE FACILITIES

11.1 Introduction

The testwork and technical designs were completed by external consultants and following completion of the 2007 Feasibility Study were subsequently amended through additional design considerations.

Other than amendments relating to the updated LoMp, there has been no further fundamental design and/or operational changes to the TSF.

11.2 Tailings Testwork

Tailings residue material at the Kinsevere Mine is sourced from processing at the SX-EW Plant which commenced production in May 2011 (scheduled April 2011). All floats and effluent from the recently shut down HMS Plant ceased have been stored for future processing in the SX-EW Plant. In addition to this material a minor amount of EAF slag at a grade of 1.94%Cu was produced which has been deposited on one of the waste rock dumps.

Initially Knight Piesold undertook testwork on ground (P_{80} of 212 μ m) composites of Tshifufia and Tshifufiamashi non-neutralised leach tailings at a slurry density of 42% solids by weight. These samples were classified as low plasticity sandy silt containing 62% silt, 33% sand and 5% clay with sedimentation characteristics achieving moderate final densities within 24h. Air drying tests achieved a final density of 1.38t/m³ after 5 days at an evaporation rate of 5.5mm per day. This indicated a 21% increase in density relative to drained sedimentation tests.

In 2008, further tailings testwork was undertaken on ground composites (P_{80} of 212 μ m), tested as both acidic and neutralised tailings. The results differed in respect of the previous work as follows:

- The acid tailings are mainly silt sized, consisting of 60% silt, 35% sand and 5% clay sized material, therefore classified as a non-plastic sandy silt under the Unified Soil Classification scheme;
- The acid tailings achieved a maximum dry density of 1.41t/m³ after 10 days at an evaporation rate of 5.2mm/day;
- The acid tailings released 48% of the initial volume of water as supernatant in the undrained sedimentation testing. The drained test yielded 38% supernatant and 25% underdrainage. The under-drainage release in the field is expected to be significantly lower than the values determined in the testwork, due to the thickness of deposited tailings and the lower permeability of the basin foundation. The rate of supernatant release for both tailings types was rapid taking less than 1 day to complete with 90% of the release occurring in the first 5 hours;
- For the acid tailings the water return is likely to be about 38% to 46% with potentially an additional 5 to 10% recovery if an under-drainage recovery system is installed; and
- Assuming the facility is efficiently operated utilising acid tailings, it is estimated that the average field density would be between 1.32t/m³ and 1.38t/m³.

11.3 TSF Design

The current LoMp as included requires the placement of 25.48Mt which at a placed in-situ density of 1.30t/m^3 amounts to 19.60Mm^3 .

The TSF is located within a 1km^2 area, east of the EAF site within PE528 where the area generally slopes to the northeast.

During 2008 and H1 2009 Anvil undertook further technical work which largely resulted in a downstream method of construction. The downstream raising of the TSF which involves all embankments is relatively simple as it is not contingent on the consolidation of tailings waste. The TSF embankments were built using waste obtained from the mining operations comprising saprolite and waste rock. The embankment comprises three specific construction zones: Zone A consisting of weathered saprolite with at least 30% fines; Zone B consisting of a mixture of weathered saprolite (less than 50% saprolite) and waste rock; and Zone C consisting of waste rock only (no fines).

The geotechnical investigation at the TSF was delayed for some time, however following the finalization of the major drilling contract four shallow, fully cored boreholes were completed in H1 2011 in which SPT tests were performed. These tests provided shear strength design parameters for Knight Piesold to verify the TSF embankment design.

The TSF as constructed comprises a 70Ha footprint where the facility is enclosed from three sides by the embankments against the natural slope. The initial embankment was constructed using the downstream method up to a height of 15m (1,267.8mRL). The final embankment will be built to an elevation 1,290.7mRL.

A 1.5mm thick HDPE plastic liner covers the entire internal surface area of the TSF as well as ensuring allowances for periodic raising of the embankment and the formation of an emergency spillway. Filter drains have been installed on top of the liner to enable the efficient removal of excess void water.

The TSF is designed to ensure sufficient capacity to store the run-off water ($145,000\text{m}^3$) generated in a 1 in a 1,000 years, 24hr storm event without spilling whilst maintaining a 1m freeboard. For such an event in a wet year the storage capacity is exceeded by $6,000\text{m}^3$ and any surplus water will be extracted and discharged to the process water pond with $100,000\text{m}^3$ capacity. Under normal conditions this will only be at 50% capacity which will adequately support the excess. Should both storage capacities be exceeded then one of the process plant thickeners can be converted to treat process water.

The distribution system comprises tailings slurry pipe work fitted with valved spigot offtakes at selected intervals on the starter wall along the two uphill sides of the dam, to provide for discharge onto the beaches. Perimeter toe paddocks are located to minimise erosion and contaminated storm water run-off. Pumps are located on the dam wall in the northeast corner. All water removed from the TSF pool is returned to the plant process water reservoir, which has a storage capacity of $100,000\text{m}^3$. The TSF is monitored with the inclusion of under-drainage leak detection pump-out facilities as well as a central collection sump for monitoring purposes.

11.3.1 Embankment slope stability

The embankment geometry includes a 2H:1V (H – horizontal; V – vertical) downstream slope and 3H:1V upstream slope with a 10m wide crest. The upstream slope is flatter than the downstream due to the upstream slope including silt and lay fills as well the upstream liner requiring a minimum 3H:1V slope.

Slope stability analysis performed for static and seismic conditions resulted in factors of safety (“FoS”) ranging from 1.5 to 1.7 for static conditions and 1.3 to 1.5 for seismic conditions.

With respect to on-going stability monitoring operations, the following is under consideration by Anvil: installation and monitoring of embankment piezometers; establishment of survey monuments along the embankments; piezometer checks and surveys, nominally on a monthly basis; and daily operator checks and weekly supervisor inspections of the TSF civil engineering conditions.

11.3.2 Seepage analysis

Due to the untreated nature of tailings deposited into the TSF, the entire tailings facility has been lined with a HDPE liner. To model the seepage from the TSF, Knight Piesold performed in-situ and laboratory permeability testing. The in-situ permeability tests were performed in two drill holes 20m deep. Soil strata identified in the trial holes were: 0.0m to 8.0m (clayey silt with sand); 8.0m to 13.5m: (clayey silt with gravel - rock fragments); and 13.5m to 20.0m (rock fragments).

The maximum seepage volumes for the final TSF were estimated at 0.36m³/day/ha. Based on the DRC Level B2 requirements for toxic tailings this rate of seepage is acceptable as addressed in the letter from the Director Responsible for the Protection of Mining Environment (DRC) written on 6 August 2008.

11.4 LoMp Deposition Profile and TSF Construction

Table 11-1 presents a reconciliation of the current tailings opening balances at the HMS Plant and the SX-EW Plant and the combined future processed tonnages through the SX-EW Plant. A portion (0.41Mt) of the floats is planned to be processed during Q4 2011 and H1 2012, with the balance (88kt) processed along with a portion (1.01Mt) of the effluent from the HMS Plant and mined ore in the SX-EW Plant from 1 January 2022 onwards. The opening balance of placed tailings as at 1 October 2011 is assumed at 0.65Mt and with new tailings raisings of 24.83Mt will result in a final placed tonnage of 25.48Mt.

Table 11-2 presents an annual schedule of the tailings deposition from Q4 2011 through 2016 inclusive and assumes an in-situ placed density of 1.3t/m³.

Table 11-1: Kinsevere Mine: process residue for TSF deposition

Statistics	Tonnage (kt)	Grade (%Cu)	Content (kt Cu)
HMS Plant			
Floats o/b	493	2.58%	13
Effluent o/b	1,219	1.92%	23
Total	1,712	2.11%	36
Processed	1,505	2.29%	34
Remaining	207	0.84%	2
SX-EW			
Tonnage	25,536	3.67%	936
RoM Ore	24,031	3.75%	902
Float Leach	405	2.65%	11
Floats	88	2.24%	2
Effluent	1,012	2.15%	22
Cathode			706
Tailings			
1 October 2011 o/b	645	1.27%	8
New arising	24,832	0.94%	232
Total placed	25,477	0.94%	240

Table 11-2: Kinsevere Mine: annual tailings deposition schedule

Tailings	Units	LoMp	Q4 2011	2012	2013	2014	2015	2016
Placed								
Volume	('000m ³)	13,795	287	1,014	867	856	856	858
Tonnage	(kt)	24,832	517	1,824	1,561	1,540	1,540	1,544
Grade	(%Cu)	0.94%	1.08%	1.20%	1.27%	1.29%	1.28%	1.37%
Content	(ktCu)	232	6	22	20	20	20	21
Closing Balance								
Volume	('000m ³)	14,154	646	1,659	2,527	3,382	4,238	5,096
Tonnage	(kt)	25,477	1,162	2,987	4,548	6,088	7,628	9,173
Grade	(%Cu)	0.94%	1.19%	1.19%	1.22%	1.24%	1.25%	1.27%
Content	(ktCu)	240	14	36	56	75	95	116

The HMS Floats are stockpiled in an area north of the SX-EW Plant and also adjacent to the Stage 1 TSF. The Stage 1 effluent is stored in the Stage 1 TSF; and only the SX-EW residue is destined for the Stage 2 TSF.

Construction of the TSF is planned over some 14 separate stages to establish a final capacity of 26.23Mt which is marginally (3%) higher than the current placed dry tonnage requirement. Construction of the facility to this final stage will require the placement of some 9.44Mm³ of material of which some 0.96Mm³ has already been placed for construction through to Stage 2. This material and the remaining material will be largely sourced from Tshifufia pit and Kinsevere Hill pit as Tshifufiamashi pit is considered too distant from the TSF. From 1 September 2011 onwards to completion, an additional 7.09Mm³ will be required. Despite this, 8.74Mm³ will be mined from Tshifufia pit and Kinsevere Hill pit, thus providing a theoretical 23% margin for error.

The TSF construction schedule indicates the requirement for the following distribution of fill material (12.55Mm³): Zone A – TSF embankment and cut-off trench backfill: 0.65Mm³; Zone C – TSF embankment: 11.75Mm³; Zone D – 0.10Mm³; and Wear Course – 0.05Mm³.

11.5 Operating Expenditure

The current LoMp assumes a unit operating expenditure of US\$0.66/t processed for the deposition of Stage 2 tailings which remains largely unchanged from previous IERs.

11.6 Capital Expenditure

The 2007 Feasibility Study included a total initial construction and sustaining (staged expansion) capital requirement of US\$39.83m. This included items for site preparation, leak detection drains, bulk earth fill walls, HDPE liners, internal filter drains, toe paddocks, access

road, perimeter toe drain, perimeter fence, pumps, tailings delivery system from plant, tailings delivery system around dam and the tails pipe channel.

In 2009, the total capital requirement (including sustaining) was revised to US\$79.56m which included a total of US\$59.49m of sustaining capital. As at September 2011, US\$26.64m had been spent (US\$20.07m initial capital and US\$6.57m sustaining capital) resulting in US\$52.92m of sustaining capital remaining as described in Table 11-3 below.

Table 11-3: Kinsevere Mine: TSF sustaining capital expenditure schedule

Year	Sustaining Capital (US\$m)
2011	2.19
2012	8.23
2013	8.18
2014	6.94
2015	5.89
2016	9.00
2017	9.59
2018	2.89
Total	52.92

11.7 Summary Comments

Following completion of the Stage 1 to 2 TSF construction activities at Kinsevere Mine, Stage 3 to 6 TSF is currently underway and planned for completion during H2 2011/H1 2012. Stages 9 through 14 continue thereafter annually until scheduled completion in 2018.

The TSF design was until 2011, largely based on limited site specific geotechnical and geomechanical testing. During 2008 permeability-testing and trial pitting aided in improving the design however strength parameters remained unavailable until H1 2011. Once made available, four additional geotechnical boreholes were drilled within the footprint of the TSF. The extent to which this drilling affected the final design is unknown, but SRK assumes that no significant issues were highlighted which necessitated any amendments to the construction and operating designs.

The potential for liner leakage and contamination flow was originally modelled based on hydrogeological data from October 2007. It is recommended that an updated model is produced and groundwater sampling continued from nearby monitoring bores. During 2011 a monitoring bore was drilled and SRK has been informed that monitoring has commenced.

12 INFRASTRUCTURE, CAPITAL EXPENDITURE, OVERHEADS AND PRODUCT COSTS

12.1 Access, Power and Water

12.1.1 Access

Kinsevere Mine is accessed along a combination of sealed and unsealed roads along the N1 northwest from Lubumbashi to Likasi. The unsealed roads from the village of Lukumi to Kalundafialo were upgraded by AMCK as part of the Stage 1 project and pass through several villages en route.

A second access route branches off from the Lubumbashi Luano International airport ("Lubumbashi Airport") turn off road along the N5 national highway from Lubumbashi to Kasenga. The total distance along this road which will become the main access route to site,

is 24km and follows the newly constructed power transmission line.

The Lubumbashi-Likasi road is 8m wide and was rehabilitated during the Stage 1 development. The existing maintenance road adjacent to the 120kV power line has been upgraded to all weather status from Lubumbashi Airport to the Kinsevere Mine. Consideration will need to be made whether to seal (bituminise) either this entire road or a portion of this road in the future.

The new road crosses the Muomba River approximately 10km to the south of Kinsevere Mine and a tributary of this river approximately 15km to the south. Armco culverts have been installed at these crossing points. Access roads within Kinsevere Mine are in good condition and are being maintained on a regular basis by AMCK.

12.1.2 Power

Electrical power supply to Kinsevere Mine is from the national grid system currently operated by Société Nationale D'électricité ("**SNEL**") and is generated from hydro-electric facilities in-country. The grid is considered to be the most reliable in-country network given its reliance for exporting to the Southern African Power Pool and has sufficient capacity to ensure supply for Stage 2 SX-EW operations. Notwithstanding this the power supply to Kinsevere Mine is at times unreliable and outages have occurred frequently, and accordingly is the subject of on-going upgrades.

AMCK entered into a binding agreement with SNEL to connect Kinsevere Mine to the 220kV national grid. This agreement was signed in December 2007 for the supply of 39.5MW of hydro-electric power and has two tariffs depending on whether the power is sourced from SNEL or Zambia Electricity Supply Corporation Limited ("**ZESCO**") generated power.

For the Chapter 18 Value for Kinsevere Mine, SRK has assumed that some 50% of the power supply is sourced from SNEL generated power with the remaining 50% sourced from ZESCO generated power. Furthermore SRK has also assumed that there is a 10% increase in power costs into 2012 which are more likely to be aligned with the longer term power supply circumstances in the DRC.

During Stage 1 a 120kV power line was constructed from the Lubumbashi New Repartiteur ("**NR**") Terminal to a 120kV to 33kV switchyard adjacent to the EAF plant using a temporary link to SNEL, over a distance of approximately 26km. The line size and conductors used in the construction of this line were sized for a 60MW load which was capable of providing power to both the 60ktpa SX-EW facility (40MW) and the 25ktpa EAF (15MW). This line was connected to the existing 120kV grid via a temporary link.

As part of the Stage 2 development, the temporary link to the 120kV grid was changed to a permanent link (27km 120kV transmission line) to the 220kV national hydro-electric grid which is much more reliable. This was achieved through the construction of a new 220kV line from the Karavia sub-station in Lubumbashi adjacent to the Gécamines smelter which feeds a new substation constructed adjacent to the Lubumbashi Airport.

In the event that there are intermittent power outages, AMCK has installed a diesel power station with a capacity of 1,600kVA. This is adequate to maintain essential services during Stage 2 operations, however it is inadequate to meet pit dewatering or production

requirements and will only support power for equipment such as the CCD thickener rakes and slurry tank agitators. Whilst prolonged outages are not experienced to date as typically these are for a few hours and approximately only 3.5% of operating time is affected.

The maximum power demand for Stage 2 is estimated at 32MW with the electrowinning cells, 525V motor control centres and the SAG mill contributing 72%, 19% and 9% respectively. The construction of the new 220kV link and substation was carried out through a Joint Venture (the “**Joint Venture**”) between AMCK and Ruashi Mining owned by Metorex. The Joint Venture funded the construction of the link, and recoups the cost through a tariff rebate.

Stage 1 electrical distribution on site was stepped down to 33kV through 3 x 30MVA 120kV to 33kV transformers at the mine site substation, where it was reticulated to the various motor control centres on the site. Stage 2 required the construction of a second 33kV grid approximately 3.6km in length at the mine site to service the SX-EW Plant which now links to the existing grid to form a ring feed to Kinsevere Mine.

12.1.3 Water

Raw water supply to Kinsevere Mine is sourced from the open-pit dewatering programme (see Section 8 for further details). Following completion of further technical work and current experience the long-term dewatering rate has increased significantly from 200l/s to between 500l/s and 600l/s with further potential to increase to 833l/s and an upper limit of 1,000l/s. This has resulted in a requirement for additional bores, compared to the original 2007 Feasibility Study, as well as a further assessment of the impact of additional discharge to the Kifumashi River.

A mine site water balance was derived by Knight Piesold. The volumes obtained from pit dewatering were predicted to far exceed the plant make-up water requirement (90l/s) and therefore discharge of 130l/s to 200l/s of water to the surface water was originally anticipated. Obviously in line with the revised abstraction rates the positive water balance is likely to increase further.

Process water is stored in a pond situated adjacent to the processing plant which was constructed during the development of Stage 1. This facility has a capacity of 50,000m³ which will provide a reservoir sufficient for at least 48h of production and additional storage is also available in the form of the raw water pond (17,000m³) and the return solution dam (100,000m³).

Kinsevere Mine requires some 300m³ of potable water on a daily basis. This is sourced from the operating bores completed as part of Stage 1 where all water is presently pumped to a potable water tank. During Stage 2 construction a new potable water tank of 1,500m³ was established.

In addition to the above, the Kinsevere Mine water system incorporates a backup via a 1.8km pipeline from the Kifumashi River although sustainability of this as a long-term alternative has not been addressed given the likely increased dewatering rate this is unlikely to be required.

12.2 Supporting Infrastructure

12.2.1 Communications

The satellite line service established for Stage 1 has been extended for Stage 2 and a local service provider in the area provides good cell phone communication systems using the tower established for Stage 1. Communications (voice, fax, data and email) to and from the Kinsevere Mine site is through a PABX system and within the plant/mine areas, an internal short-wave radio communication system is also used.

12.2.2 Infrastructure buildings

A significant number of pre-existing infrastructure buildings developed as part of Stage 1 is utilised in Stage 2. Additional buildings constructed include: fitting workshops; electrical and instrumentation workshops; heavy vehicle workshops; additional personnel and stores facilities. The mine equipment maintenance workshop remains the responsibility of the mining contractor.

There are two accommodation camps at Kinsevere Mine, namely the contractors' camp and the AMCK camp. The contractors' camp was situated adjacent to the plant site and could accommodate up to 450 people. These existing facilities were subsequently expanded to provide for an estimated Stage 2 construction work force of 1,500 (500 construction contractors and 1,000 local nationals) together with the Stage 1 plant operating workforce and management. Local labour is currently bussed between the site and their homes in nearby villages.

The AMCK village site is situated approximately 1km from the mine site within the mining lease and consists of 40 prefabricated wooden cabins, a mess, recreation facility with attached bar and laundry facility. This camp houses permanent operations staff to operate the mine and the SX-EW Plant.

Diesel fuel for the stand-by power generator and site vehicles is stored in two above ground horizontal tanks coupled to a kerb-side dispensing bowser for the vehicle refuelling.

12.3 Construction and Commissioning Status

Estimation of capital expenditures for completion of construction and commissioning of Stage 2 increased significantly from the original 2007 Feasibility Study estimate of US\$202.68m to the final approved budget of US\$399.09m quoted in 2010. These estimates specifically excluded the other owner items from the 2007 Feasibility Study estimate of US\$112.43m to the final approved budget quoted in 2010 respectively.

The detailed project cost report for Stage 2 indicates that the total cost to date (August 2011) was some US\$382.69m which compares with a revised approved budget for US\$400.00m. Furthermore SRK has been informed that US\$4.9m of the original US\$12m contingency is still available. Accordingly it would appear that even with a claim settlement to Ausenco the budget will be adequate to complete the project to design capacity.

12.3.1 SX-EW Plant

Construction Status

The construction of the Stage 2 project was substantially completed in May 2011 when

commissioning and production commenced. Minor issues currently being addressed have no adverse impact on the ability to operate the plant. The design and layout of the plant is robust and adequate space is available for future expansion. The materials of construction are adequate for the operation and recognise of the milling in raffinate, where acid proofing has been applied where considered necessary. Although there was initial damage to the epoxy lining within the mill, this has been resolved and an inspection regime initiated to monitor the condition of the epoxy lining on an on-going basis. Ramp-up to full production is now in progress, with the main impediment to reaching full production being the EW section of the plant. The rectifiers are proving to be unreliable and impacting adversely on the production of copper cathode. There are plans in progress to replace the rectifiers with more reliable units and hold the existing ones as strategic spares. The spacers between the cathode and anode plates have proven to be problematic and are being changed progressively to a more manageable design. The changes to the anode cathode spacing so far have indicated considerable improvements in output. The target to reach nameplate production in the SX-EW section of the plant is in Q1 2012. This will depend mostly on the ability to change all of the spacers on the anode plates within that timeframe. The front end of the plant is running at design capacity and indications are that this could be increased without much capital investment required. However, a plant expansion may reveal the tailings disposal system as the bottleneck to the increased production and mining inventory.

Work in Progress

SCADA programming is progressing to produce production reports. The PLC needs to be programmed to enable a sequence start of the process plant. An additional event pond is under construction. Security fencing at various locations around the site is being installed. The conveyor from the HMS Plant is being installed to give the option of utilising the crusher at the HMS Plant for the SX-EW Plant should the need arise. None of those items are impacting adversely on the ability of the plant to operate at capacity.

Rectification of faults

The grizzly at the RoM bin is not suitable for feeding the plant with front end loaders ("**FELs**") which is currently the case. There is no equipment in place to clear the grizzly in the event of large rocks being trapped on the grizzly. AMCK has established alternatives to mobilise a mobile rock breaker which will be able to clear the grizzly when choked and to break large boulders on the stockpiles.

The spacers on the anodes have proven to be problematic as there is insufficient clearance when being removed. This leads to damage of the cathodes and a revised spacing method has been devised and is being implemented progressively. Initial results appear to be successful and it is anticipated that this corrective action may take until Q1 2012 to complete. The transformers and rectifiers have proved to be unreliable, which is attributed to poor manufacture. Plans are in place to replace them with higher quality more reliable units and keep the existing ones as strategic spares. Notwithstanding this the SX-EW Plant is well constructed and of a high standard.

De-bottlenecking

The tailings pumping system, whilst achieving design capacity does not have much additional capacity, and forms the bottleneck in the milling section of the SX-EW Plant. Actions are in place to upgrade the pumping capacity of the system and it appears from results so far that the balance of the plant has the potential to operate at a higher than design rate with some minor modifications.

12.3.2 Ausenco Contractual Issues

Ausenco has substantially completed the works and de-mobilised from site. The incomplete work mostly relates to the programming of the PLC sequence start-up. Other issues are of a minor nature and do not have an impact on the operation of the plant. Contractual completion has still not been achieved, with minor issues leading to the possibility of a dispute resulting. Sign-off of the SX-EW Plant and final documentation is outstanding complicating the close out of the contract. Ausenco has submitted a claim for extension of time caused by late delivery of owner supplied plant and equipment and counter claims from Anvil include delay damages, back-charges and credits for works not completed. The total value of these claims have not yet been finalised and the parties are continuing to negotiate settlement terms in order to resolve any outstanding disputes. Anvil has informed SRK that it doesn't expect the settlement, if any, to be material in relation to the Chapter 18 Valuation.

12.4 Capital Expenditure

Future capital expenditures at the Kinsevere Mine as included in the current LoMp are limited to sustaining capital expenditure requirements. Table 12-1 presents the LoMp capital expenditure forecast as amended by SRK for a total of US\$117.52m. Of this total, US\$52.92m is allocated for the TSF staged expansions and the remainder (US\$64.61m) as other sustaining capital items.

The capital expenditure forecast provided by Anvil is for a total of US\$112.50m. SRK also notes that historical estimates of sustaining capital (excluding TSF requirements) relied on an assumed provision of 2.5% of all on mine operating expenditures.

Table 12-1: Kinsevere Mine: LoMp Capital Expenditure Schedule

Year	TSF (US\$m)	Other (US\$m)	Total (US\$m)
2011	2.19	3.56	5.75
2012	8.23	4.77	13.00
2013	8.18	0.00	8.18
2014	6.94	1.06	8.00
2015	5.89	2.11	8.00
2016	9.00	-	9.00
2017	9.59	-	9.59
2018	2.89	5.11	8.00
2019	-	8.00	8.00
2020	-	8.00	8.00
2021	-	8.00	8.00
2022	-	8.00	8.00
2023	-	8.00	8.00
2024	-	4.00	4.00
2025	-	4.00	4.00
Total	52.92	64.61	117.52

12.5 Overhead Expenditure

Overhead expenditures as incorporated into the current LoMp are largely reflective (+5%) of the broad assumptions used in the optimisation process to support the 2011 Ore Reserve

Statements. These include assumed fixed annual expenditures for the following key areas: general administration costs (US\$13.87m); technical services (US\$1.31m); infrastructure maintenance (total US\$4.29m: with US\$3.43m for salaries/labour and US\$0.86m for sundries); Management Fee (US\$13.47m); and DRC Social Projects + Other (US\$1.66m).

Table 12-2: Kinsevere Mine: LoMp Overhead Expenditure Schedule

Overheads	Units	2011	2012	2013	2014	2015	2016	2017	2018	2019
Activity										
Administration	(US\$m)	3.47	13.87	13.87	13.87	13.87	13.87	13.87	13.87	13.87
Technical Services	(US\$m)	0.33	1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31
Infrastructure Maintenance	(US\$m)	1.07	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29
Management Fee	(US\$m)	4.03	13.47	13.47	13.47	13.47	13.47	13.47	13.47	13.47
Congo Social Projects + Other	(US\$m)	3.43	5.85	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Total	(US\$m)	12.32	38.79	34.60	34.60	34.60	34.60	34.60	34.60	34.60
Unit Costs										
	(US\$/t _{milled})	23	21	21	22	22	22	22	22	22
	(US\$/tCu _{Prod})	829	636	569	578	577	575	576	577	577
	(US\$/tCu _{Sales})	843	641	570	580	580	578	579	580	580
	(USc/lbCu _{Sales})	38	29	26	26	26	26	26	26	26
Overheads	Units	2020	2021	2022	2023	2024	2025	2026	2027	LoMp
Activity										
Administration	(US\$m)	13.87	13.87	13.87	13.87	13.87	13.87	13.87	9.25	220.83
Technical Services	(US\$m)	1.31	1.31	1.31	1.31	1.31	1.31	1.31	0.88	20.90
Infrastructure Maintenance	(US\$m)	4.29	4.29	4.29	4.29	4.29	4.29	4.29	2.86	68.22
Management Fee	(US\$m)	13.47	13.47	13.47	13.47	13.47	13.47	13.47	8.98	215.00
Congo Social Projects + Other	(US\$m)	1.66	1.66	1.66	1.66	1.66	1.66	-	-	30.84
Total	(US\$m)	34.60	34.60	34.60	34.60	34.60	34.60	32.94	21.96	555.80
Unit Costs										
	(US\$/t _{milled})	22	22	22	22	22	22	26	22	22
	(US\$/tCu _{Prod})	576	650	1,492	2,111	2,352	2,430	2,379	1,861	789
	(US\$/tCu _{Sales})	579	650	1,441	2,110	2,360	2,441	2,414	1,792	792
	(USc/lbCu _{Sales})	26	30	65	96	107	111	109	81	36

In addition to the above, Anvil also forecasts import duty related expenditures of some US\$1.00m per annum, which is based on 5.50% of each US\$11.10/t_{milled}.

12.6 Product Related Expenditure

Assumptions regarding the product related operating expenditures as incorporated into the current LoMp are marginally higher (+7%) than the broad assumptions used in the optimisation process to support the 2011 Ore Reserve Statements. These are inter alia, governed by the various product offtake agreements entered into between Anvil and Trafigura (the “**Trafigura Offtake Agreements**”), but in certain instances have been updated during H1 2011. In relation to the sale of copper cathode the principal assumptions are noted in Purchase Contract No. 05449 ALUC-P:

- **Quantity:** The entire copper cathode production from commencement of operation until termination of production from the SX-EW Plant which is expected to produce and deliver between 40kt and 60kt of cathode per annum after the Initial Production Phase;
- **Quality:** Expected to qualify as LME Grade “A” SX-EW copper cathode. The Buyer agrees to buy cathode whether or not it qualifies as LME Grade “A” SX-EW copper cathode subject to discounts detailed in the contract. More flexible terms relating to the Initial Production Phase are outlined in the contract;
- **Price:** The price for each Lot of cathode shall be as follows: (a) The LME Official Cash Settlement Price for Grade “A” copper averaged over the Quotation Period; (b) plus the Codelco premium; (c) less the following items (discount to Codelco; freight and insurance allowance; deductions if applicable; and export duties);

- **Quotation Period:** The Quotation Period shall be elected by the Buyer annually as either the month of delivery (M) or the second month after the month of delivery (M+2);
- **Payment:** 90% provisional payment. Final payment within 3 banking days of final weights, assays and prices;
- **Title and Risk:** Title shall pass from Seller to Buyer upon Buyer's provisional payment. Risk shall pass from Seller to Buyer once each Lot or portion thereof has been delivered into a designated warehouse;
- **Weighing:** Weighing of delivered cathode shall be carried out at Kinsevere Mine by an independent inspector according to international best practice. Each of the Buyer and Seller may be represented at these operations at their own costs; and
- **Assaying:** The Seller shall retain sample assay disks, one for the Seller, one for the Buyer and one for umpire analysis. A procedure for outlining quality discrepancies is outlined in the contract.

The assumed product related operating expenditures (Table 12-3) at the CMF price assumptions total US\$403.19m which equate to a unit rate of US\$26/lb of payable copper and includes the export duties for copper cathode which is based on 1% of the gross sales revenue (CMF price assumptions).

Table 12-3: Kinsevere Mine: LoMp Product Related Expenditure Schedule

Overheads	Units	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total	(US\$m)	8.52	36.03	36.01	34.89	34.54	34.38	33.66	33.59	33.61
Realisation	(US\$m)	6.01	24.87	24.94	24.50	24.50	24.61	24.56	24.51	24.52
Export Duty	(US\$m)	2.51	11.16	11.07	10.39	10.04	9.78	9.10	9.08	9.08
Unit Costs										
	(US\$/tCu _{Prod})	573	591	592	582	576	571	560	560	560
	(US\$/tCu _{Sales})	582	595	593	585	579	574	563	563	563
	(US\$/lbCu _{Sales})	26	27	27	27	26	26	26	26	26
Overheads	Units	2020	2021	2022	2023	2024	2025	2026	2027	LoMp
Total	(US\$m)	33.68	29.98	13.63	9.37	8.39	8.12	7.82	6.98	403.19
Realisation	(US\$m)	24.58	21.88	9.97	6.87	6.16	5.96	5.75	5.12	289.30
Export Duty	(US\$m)	9.11	8.10	3.66	2.50	2.23	2.16	2.08	1.87	113.89
Unit Costs										
	(US\$/tCu _{Prod})	560	563	588	571	570	570	565	592	573
	(US\$/tCu _{Sales})	563	564	568	571	572	573	573	570	574
	(US\$/lbCu _{Sales})	26	26	26	26	26	26	26	26	26

12.7 Summary Comments

Following completion of the construction programme, the current infrastructure installed at Kinsevere Mine is considered well-constructed, of an appropriate standard and suitable to support execution of the current LoMp as envisaged. Notwithstanding this, power supply suffers to a minor degree from continued outages, however at this stage it does not appear that establishing a full back up generation system on-site is required.

The forecast remaining capital expenditures are limited to that required for the TSF and sustaining capital expenditure provisions.

The forecast product related expenditures, largely assume that originally incorporated into the various Trafigura Offtake Agreements, however certain modifications and assumptions have been included by Anvil, specifically in respect of cartage related expenditures.

Accordingly whilst SRK consider that the specific assumptions are reasonable given the prevailing historical context, further work is required to firm up the assumed unit expenditures both with respect to the staged TSF construction works, overheads and product related operating expenditures.

13 HUMAN RESOURCES

13.1 Introduction

Since commencement of operations at Kinsevere Mine (inclusive of Stage 1), the total employees costed ("TEC") comprising both contractors and direct employees of AMCK has on a closing reporting period (31 December or 30 September) increased from 385 in December 2007 through to a peak of 1,734 in December 2010 and is currently (September 2011) at some 1,346, of which some 813 remain engaged with construction activities.

Furthermore the current assumptions for TEC are effectively unchanged from that assumed for the 2010 Statements (Anvil) and operating expenditures are incorporated into the optimisation analysis used to support the Ore Reserves as reported in the 2011 Statements (SRK Depleted).

13.2 Operating Structure

Kinsevere Mine is currently in the production build-up stage and accordingly on attaining full production it is anticipated that the long-term (2015) TEC will be some 447 with some 143 of these employed as mining contractors and the remaining 304 as AMCK employees. The distribution of these within the individual technical groupings is: mining contractor (143); mining owner (48); technical services (9); SX-EW plant (97); maintenance (98); administration (52).

The currently proposed expatriate complement is estimated at some 8.5% which is a considerable increase from that previously assumed in 2009 by Anvil.

The majority of the staff reside in Lubumbashi and accordingly only call-out staff and rostered on supervision remain at the mine after working hours. Anvil has not established a mine village but has improved the standard of infrastructure in the surrounding villages, specifically with respect to schools, clinics and potable water supplies which were upgraded during the construction period. All expatriate staff are employed on a fly-in fly-out roster and are accommodated within a designated camp on the mining lease.

Operations are on a seven day a week 24h basis with production only being suspended for annual maintenance shutdowns and public holidays. The mining operations operate on two 10hr shifts and the process plant on 12h shifts (2 by 2 by 2 roster).

13.3 Recruitment

Given the significant history of mining in the Lubumbashi area, local expertise is readily available and expatriate appointments are only required to fill key technical and management roles. The primary language on site is French and accordingly all senior management are required to be bi-lingual in English and French.

The semi-skilled and non-skilled workforce are recruited locally, however some sensitivity

exists with respect to recruitment from the tribes other than the local Balamba, specifically the migrant artisanal miners who are predominantly Tchokwe. This is in accordance with AMCK's stated policy that local residents from the districts surrounding the villages of Kinsevere and Muombe-Bushinda are employed in preference to non-local labour.

13.4 Industrial Relations

There is no updated information with respect to the current status of industrial relations at the Kinsevere Mine or within the mining sector of the DRC. Notwithstanding the above, the historical industrial relations track record is reputed to be good with only two to three days of (illegal) unrest being historically recorded at Dikulushi and Kinsevere Mine.

13.5 Operating Expenditure

The operating expenditure assumptions have been summarised into the following reporting areas: mining (mining owner and technical services); processing (plants and maintenance) and overheads (administration). On reaching nameplate capacity (60ktpa) the maximum annual labour costs are maintained until cessation of mining activities in 2020, thereafter reducing accordingly

13.5.1 Terminal Benefits Liability

Anvil has not undertaken a direct assessment of the potential terminal benefits liabilities. Based on similar assumptions in the DRC, SRK has determined the potential movement in AMCK employees and applied a unit rate per employee. This rate is currently determined on the basis of the average labour costs per month for a six-month period.

The total terminal benefits liability for Kinsevere Mine is estimated at US\$4.10m. SRK appreciates that there may be scope for reducing this amount, but consideration should be given for further assessment of the specific DRC legislation and incorporating specific length of service details throughout the operating life.

13.6 Productivity Assumptions

On attaining full production productivity statistics for Kinsevere Mine are estimated at 306 tonnes processed per TEC per month (LoMp average 390) and 11.6 tonnes of copper cathode per TEC per month (LoMp average 11.3tCu/TEC/month).

13.7 Summary comments

The current human resource assumptions for Kinsevere Mine remain largely unchanged from that assumed for generation of the Ore Reserve statements in 2009 and 2010. Furthermore the assumed annual operating expenditures have been significantly reduced from that assumed in prior technical studies. This was a direct function of assumed reductions in labour complement.

The current LoMp does not include an explicit estimate of the potential terminal benefits liability which may be incurred on closure. Based on a requirement to retrench some 304 employees (excluding contractors) a total liability of US\$4.10m may be incurred over the LoMp, with the majority of this reporting to 2027.

14 OCCUPATIONAL HEALTH AND SAFETY

14.1 Introduction

The following section includes discussion and comment on the occupational health and safety aspects pertaining to Kinsevere Mine.

14.2 Occupational Health and Safety Management

Anvil's occupational, health and safety ("OHS") management standards (comprising 5 Sections and 68 sub-elements) have been implemented at Kinsevere Mine. OHS issues are generally well addressed within these standards and detailed management procedures for dealing with specific issues such as hazards in the workplace have also been developed which include: confined spaces; working with heights; hazardous substances; isolations; explosives; temporary barricading; and 11 other safety specific standards.

Furthermore the OHS management standards meet Anvil's obligations under the ILO Convention 155 "**Occupational Health and Safety, 1981**" and Convention 176 "**Safety and Health in Mines, 1995**". The OHS management standards are considered by Anvil to be aligned with the requirements of the international safety standard OHSAS 19001 as well as the Australian Standard 4801.

The OHS management standards include: commitment and policy; planning; implementation and operation; measurement and evaluation; review and improvement.

In January 2010, Anvil established a Health, Safety and Environment Committee.

14.3 Occupational Health

The risk assessment section of the 2007 Feasibility Study however identifies three key areas:

- The impact of HIV/AIDS does not only relate to the proposed operations (high turnover, loss of skills, low productivity) but also the social impacts due to economic dependency in the wider community from which the labour force is drawn. Anvil has however subsequently initiated various awareness campaigns;
- The impact of malaria which is a constant issue in the Katanga Province; and
- Dust management during the summer months. AMCK commissioned a dust assessment report, the conclusions of which (e.g. suppression management techniques) were subsequently included in various procedures developed and implemented at Kinsevere Mine.

Based on the results of AMCK's monthly management reports SRK has collated various OHS statistics on clinic attendances, malaria cases and referrals for the year to date: 31 December 2007 and 31 December 2008 (Table 14-1). Limited supporting narrative is provided either specifically with respect to the trend or causal detail for the clinic attendances. A medical health programme was rolled out to all employees during H1 2008.

The September 2011 monthly report includes a section on health and safety, however only safety statistics are reported. No information in respect of occupational health is presented and accordingly it is difficult to assess the extent to which this is currently being managed.

Table 14-1: Kinsevere Mine: occupational health statistics⁽¹⁾

Health	2007	2008
Clinic Attendances	412	200
Malaria Cases	94	45
Referrals	18	8

⁽¹⁾ No updated information for 2009, 2010 or Q3 2011.

14.4 Safety

Anvil has developed various safety policies which include detailed site specific guidelines to ensure a well trained and equipped workforce with respect to safety.

However, historical reporting and analysis of safety statistics within the monthly management reports was accompanied by limited commentary. From October 2011, Lost Time Incidents, Return to Work Incidents and Other Incidents were translated to frequency rates as is common practice internationally, specifically with respect to fatality rates, lost time injury frequency rates (“LTIFR”) and severity rates recorded as incidents per million man hours worked. That said, no comparisons are made to local or international benchmarks such as the Ontario benchmark which is set at 0.15 per million man hours worked for fatalities and 7.50 per million man hours worked for lost time incidents.

Table 14-2: Kinsevere Mine: safety statistics

Statistics	2007	2008	2009	2010	Q3 - 2011
Lost Time Incidents	33	7	n/a	5	3
RTW Incidents	162	46	n/a	46	50
Other Incidents	0	1	n/a	99	223
LTIFR	n/a	4.2	n/a	1.9	1.30
TIFR	n/a	n/a	n/a	30.45	21.70

In October 2011, an accident occurred on the mine access road where a cyclist was struck by one of Anvil's water carts while performing dust suppression activities. The relevant authorities were informed and an investigation into the incident by Anvil and local police is under way. Anvil confirmed that the cyclist was a local villager not connected with the Kinsevere Mine and had arranged for assistance and support services to be available for the family and for employees in relation to this fatality.

14.5 Summary Comments

The current documentation and procedures adequately address the safety aspects of operations at the Kinsevere Mine. With respect to occupational health issues including the social impacts of HIV/AIDS, AMCK's current documentation and procedures are considered insufficient and require further focus.

The current reporting of occupational health statistics is poor and no summary detail is provided with respect to the clinic attendances such that a broad understanding of the contributing factors is apparent.

15 ENVIRONMENTAL

15.1 Introduction

The following section includes discussion and comment on the environmental aspects pertaining to Kinsevere Mine.

15.2 Basis of Environmental Review

From 2008 to 2010, SRK reviewed numerous environmental documents completed by Anvil and its independent consultants. The focus of reviews was compliance with local regulatory requirements and International Environmental Standards (“**IES**”), including the Equator Principles, the IFC Performance Standards and World Bank and ICMM Guidelines. The principal documents reviewed were:

- The report on the Environmental Impact Assessment (“**EIA**”) of Kinsevere Copper-Cobalt Project, published in June 2007 (the “**2007 EIA**”) by AMC and submitted to GoDRC to obtain environmental approval for Kinsevere Mine;
- The official letter of approval of the 2007 Stage 1 and 2 EIA, the (“**2007 EIA Approval**”);
- A Stage 2 Draft EIA, published in January 2008 (the “**2008 EIA**”) by Knight Piesold and appendices, including the social baseline study;
- A new ESIA published in 2009 (the “**2009 ESIA**”), which was prepared to achieve compliance with IES; and
- An Environmental and Social Action Plan (“**ESAP**”) first compiled in 2009 (the “**2009 ESAP**”), which was also prepared to guide the achievement of compliance with IES.

In addition to the above, other key documents reviewed addressed the following key areas: hydrogeology; OHS policies, OHS management standards; community assessment process and stakeholder evaluation; community engagement strategy; land compensation strategy; closure cost provisions; aquatic ecology; and terrestrial ecology.

Additional documentation reviewed as part of this CPVR includes the following:

- The retrospective environmental and social analysis of the power line and access road report, published by Knight Piesold in June 2010;
- The Kinsevere Mine Biodiversity Action Plan, published by Knight Piesold in June 2010;
- A 2010 addendum to the 2007 EIA for discharge of groundwater from the dewatering system into the Kifumashi River (the “**2007 EIA Addendum**”), published by Knight Piesold in November 2010;
- The Kinsevere Stage 2 Operation Social and Environmental Management System (“**SEMS**”) Manual, published in December 2010;
- The updated Kinsevere Stage 2 Operation ESAP as updated in August 2011;
- The 2009 external audit of the mine by DRC Green Engineering and Mining Environment Consulting (“**DRC Green**”); and
- The Kinsevere Copper Mine Environmental Management Annual Reports for 2008, 2009 and 2010, which have been submitted to the DRC Directorate of Mining Environment Protection.

15.3 Environmental Setting

The site lies on a plateau of 1,150m to 1,300m above mean sea level. The local topography is defined by the Kifumashi River catchment. The Kifumashi River passes the site to the north, flowing from west to east. Soils in the project area have a deeply weathered, well-drained profile, with poor fertility on higher ground. Areas adjacent to the river have better agricultural potential and are cleared for fields.

The region surrounding the Kinsevere Mine is an ecologically diverse area containing some plant and animal populations of conservation importance. The mine area can generally be classified as tropical woodland vegetation, with areas varying in quality from highly degraded to almost pristine. Current threats to flora in the project area are cultivation, artisanal mining, and charcoal production. Large mammals do not appear to occur in the project area; however it is likely that a strong population of small mammals, frogs and reptiles exist.

Five villages are located within a five kilometre radius of the mine site. They are all located to the north of the project area along the Kifumashi River in upstream and downstream directions of the mine. The main livelihood is agriculture with most cultivated fields occurring in the riparian zone. The local communities use the river for potable water, although the water quality is below World Health Organisation standards. Previously there were a number of artisanal miners that operated within the mining lease area, particularly around Tshifufia.

15.4 Environmental Management

Since 2007, a series of EIAs / ESIA's, accompanied by stakeholder engagement, have been undertaken for the Kinsevere Mine by various environmental consultancies; mainly Knight Piesold. The ESIA reports include environmental and social management plans ("**ESMP**").

The 2007 EIA was completed and approved by government in 2007. This includes an ESMP, which is legally binding. The mine is required to implement the ESMP and report on its implementation on an annual basis. Further to this, Anvil developed an ESAP, the aim of which is to achieve compliance with the IES.

The 2007 EIA Addendum was required in terms of Article 463 of the Mining Regulations. This concerns the discharge of groundwater from the mine's dewatering system into the Kifumashi River. This was submitted to GoDRC in December 2010 and has now been approved.

Anvil has further updated the 2007 EIA to address compliance with IES, resulting in the 2009 ESIA. This 2009 ESIA can be classified as an internal document; it is not a public document that has been subject to GoDRC review.

In 2012, the 2007 EIA will be officially reviewed and updated and the revised EIA will be submitted to GoDRC for approval. This will be done in accordance with Article 463 of the Mining Regulations; an EIA revision is required every five years.

In 2008, AMCK appointed an Environmental Manager, who reported through the Technical Services Manager to the General Manager. All department managers have responsibility to be directly involved in environmental management of the mine, as they all serve on the Site Environmental Committee which meets on a monthly basis under the chairmanship of the General Manager to review action plans, new business and the EMS. In addition, the Environmental Manager, to which an Environmental Officer and an Environmental Technician

reports, convene weekly meetings of the SEMS implementation team. The Social Development Manager operates at the same level as the Environmental Manager and works through the Regional and Community Development Committees who meet on a quarterly and monthly basis respectively.

Although environmental and social management practices are in place at Kinsevere Mine, the mine's SEMS is not fully developed as explained below:

- An, up-to-date register of all DRC environmental and social legislation relevant to the operation needs to be completed;
- Environmental management recommendations and commitments are not integrated into one central database. Anvil has several ESMPs and a number of EIA/ESIA reports detailing its various management commitments. Permits and conditions of approval also need to be included in a single repository;
- Although Anvil engages with stakeholders, a stakeholder engagement plan has not been developed for the Kinsevere Mine. Documentation does exist, but there is no formal and centralised stakeholder engagement database;
- Roles, responsibilities and authority for implementation of environmental management and corresponding training needs further improvement; and
- Environmental monitoring and auditing are undertaken, but improvements need to be made to data interpretation, reporting of findings to management and feedback mechanisms resulting in changes to management measures in response to findings.

15.5 Environmental Issues

The principal environmental issues as they relate to Kinsevere Mine are:

- **Mine Dewatering Programme:** Mine dewatering at the Kinsevere Mine could have significant impacts on surrounding groundwater users, flow and water quality in the Kifumashi River and on downstream water users. An assessment of some of the impacts was undertaken in 2010, but requires some improvements;
- **Acid-rock drainage ("ARD") from waste rock dumps:** Historical geochemical test-work on waste rock indicated that it has low acid-generating potential. Recently completed ARD test-work sampled a broader range of material type and indicates that ARD risk increases as the project develops from the oxidised zone, through the transitional zone and into the fresh sulphide zone. Further kinetic testing is required to understand this;
- **Pollution from non-neutralised tailings:** Stage 2 tailings are expected to be highly acidic and they will not be neutralised prior to disposal in the TSF. This highly acidic material would pose a significant risk to the environment if it was released; however the design includes sufficient safety measures to reduce the risk of leakage such as an HDPE liner and an under-drainage leak detection system. Contaminant modelling also shows that the sulphate plume resulting from failure of the liner would not reach the river or any villages within 135 years post-closure. Long-term environmental monitoring (ground water) and structural monitoring (such as visual inspection, slope stability) will be required post-closure to ensure that pollution is controlled;

- **Disturbance of critical habitat:** The 2010 Biodiversity Action Plan states that “critical habitat”, as defined in the IFC Performance Standards, exists on the mine site. It states that the copper-cobalt grassland flora on Kinsevere Hill qualifies as critical habitat and destruction of the habitat will take place if no mitigation measures are implemented. The plan needs to be more specific about the mitigation measures to be implemented;
- **Community health and safety risks** have largely been identified and action plans are under development to manage these risks. In time, there needs to be improvement in management plans for community health and the influx of jobseekers;
- **Security:** The management and execution of security at the Kinsevere Mine is based on the Voluntary Principles on Security and Human Rights platform. These principles are internationally considered to be good practice and therefore SRK considers that security should be adequately managed at the Kinsevere Mine; and
- **Stakeholder engagement and social responsibility:** Anvil maintains regular contact with village chiefs, communities and local government, and holds regular meetings with government officials, non-governmental organisations (“NGOs”) and other mining companies. Despite this regular engagement, Anvil does not however have a formal stakeholder engagement plan, system of documentation of all information disclosed to stakeholders and concerns raised by stakeholders or a grievance mechanism.

Anvil has committed to the building of mutually beneficial relationships with the local communities and to ensuring that communities derive lasting benefits from Anvil, which they will use to sustain their livelihoods throughout and beyond the life of Kinsevere Mine. Anvil has, in partnership with PACT Inc., a Washington-based international NGO with much experience in facilitating community development across the DRC, implemented a wide range of community development programmes to benefit local communities. The programmes are developed through consultation with stakeholders to ensure that they are based on community felt needs and that the local people are involved in key decisions that affect their daily lives. They include maximisation of local employment (to ensure that local people are given priority and equal opportunity in employment subject to their experience and qualifications) and sustainable community development projects (to ensure that local people have the capacity to continue projects initiated with the mine beyond the financial and technical support provided to them). The latter projects focus on access to basic social services, food security and household income and capacity building of communities for development and capacity building of local associations and local NGOs.

The environmental issues noted above require appropriate and on-going management by Anvil throughout the course of operations at Kinsevere Mine. Accordingly SRK considers that provided these issues (specifically: mine dewatering programme; and pollution from non-neutralised tailings) are proactively managed then they are not considered to be material both with respect to the 2011 Statements (SRK Depleted) and the Technical Valuation for the Kinsevere Mine.

15.6 Environmental Operating Expenditures

In contrast to the 2007 Feasibility Study, only limited detail in respect of environmental operating expenditures are included in the current LoMp. Notwithstanding this aspect, the majority of the operating expenditures are related to both dewatering and labour costs which are reflected in the Stage 2 mining and Stage 2 administration costs.

15.7 Environmental Liabilities

AMCK has developed a conceptual closure plan which is reported in the 2009 ESIA and the associated environmental liabilities were costed by Anvil and subsequently reviewed by Knight Piesold. The current LoMp reports a total closure cost of US\$36.99m which reflects a significant increase from the original US\$13.36m as reported in the 2007 Feasibility Study and is also higher than an earlier estimate provided by Knight Piesold of US\$25.00m.

The scope of this closure cost estimate comprises provision for dismantling of the processing plant, demolition of steel buildings and structures, demolition of reinforced concrete buildings, rehabilitation of access roads, demolition of housing, open-pit rehabilitation, rehabilitation of overburden, spoils, waste dumps and ponds, general surface rehabilitation, fencing and two to three years of aftercare. In addition a 10% contingency has also been included.

Notwithstanding the stated scope, SRK notes the closure cost estimate is based on a relatively generic methodology developed by the South African Department of Minerals and Energy. Whilst this approach provides a closure cost estimate which is probably sufficiently indicative for a pre-feasibility study, SRK considers that further work is required to develop a site specific closure plan with specific objectives that can be used for a more appropriate cost estimate. This should include provisions for activities such as detailed hydrogeological surveys, water management (management of polluted water impacts on surface and groundwater), remediation of contaminated soils, and post-closure water treatment if required. This could then be reviewed annually which would obviously increase in confidence with the passage of time.

With respect to water management issues no specific estimate has been made for the transportation and discharge of excess water from the pit to the Kifumashi River. With respect to the TSF, it is likely that water infiltration into the facility will continue after de-commissioning and contaminated water will therefore continue to infiltrate through the tailings to the water recovery system. Accordingly some form of post-closure control of this water will be required. This could be achieved through either effective sealing of the facility to limit infiltration and passive management of any infiltration that occurs, or active water treatment following closure until the contaminants have been flushed out, or a combination of both. This aspect should be explicitly covered in the site specific closure plan.

15.8 Environmental Compliance

15.8.1 Local legislative requirements

Environmental and social governance

Political and economic instability has generally hindered the progress of environmental and social governance in the DRC, however there have been many advances made in the last decade.

At present, there is no framework law for EIA in the DRC. The only activities which have a formal legal requirement for an EIA in the DRC are exploration, mining and quarrying.

An Ordinance that specifies the responsibilities of the Ministries (Ordinance No 07/018 of 16 May 2007), gives authority for the management of EIA to the Ministry of Environment, Nature Conservation and Tourism ("**MENCT**") and responsibility for all matters relating to mines, including environmental issues to the Ministry of Mines, specifically to the Directorate responsible for the Protection of the Mining Environment.

Other environmental legislation in the country is fragmented and is managed by numerous ministries and organisations. The legislation is being reviewed and updated and the responsible institutions are being restructured.

Currently, it is understood that the Kinsevere Mine only requires environmental approvals in terms of mining legislation. This situation is likely to change with advances in environmental legislation in the DRC.

A draft Water Code was prepared in 2010 and if implemented, the Kinsevere Mine can be expected to obtain various approvals for water usage (abstraction, industrial use and discharge) and waste disposal. At present, the two main ministries heading the water sector are the MENCT and the Ministry of Energy. Management of water as a natural resource falls under MENCT's Water Resources Directorate. Its regulatory duties include protecting aquatic ecosystems from all types of polluting activities and development of watershed management plans and handling international and regional water cooperation.

Environmental governance in the mining sector

In the mining sector, protection of the environment is governed by the following legislation:

- Mining Code (Law No 007/2002 of 11 July 2002); and
- Mining Regulations (Decree No 038/2003 of 26 March 2003).

The Mining Code requires that applicants for an exploitation licence submit an EIA, an EMP, a rehabilitation plan and evidence of financial provision for compliance with environmental obligations and for rehabilitation (Article 204). The approved EMP must be implemented (Article 204).

The Mining Regulations repeat and elaborate on the requirements (Articles 407, 410, 450 and 452 and Annexes II, III, VI, VIII, IX, X, XII and XIII). The Mining Regulations also require that:

- there is annual reporting on implementation of the EMP and rehabilitation plan to the Directorate responsible for the Protection of the Mining Environment, through the provincial Mines Cadastre (Article 445 and 458);
- there is an environmental audit of the mine every two years after the EIA report is approved, the audit must be undertaken by an authorised Environmental Study Agency and not the one that prepared the EIA report or the EMP (Articles 459 and 460);
- the EIA report and EMP are reviewed, revised and updated every five years, upon the renewal of exploitation rights, when there are new developments or changes to the operation, and when there is evidence that measures in the EMP or rehabilitation plan are no longer appropriate and that there is a major risk of an adverse impact on the

- environment (Articles 448 and 463);
- the financial provision for rehabilitation is revised if the Directorate responsible for the Protection of the Mining Environment deems the security is no longer adequate, or in the event that it needs to be reduced due to the foreseeable (budgeted) expenditure in respect of the implementation of the mitigation and rehabilitation measures (Article 449); and
 - a record of all documentation relevant to authorisations (relevant to the above) is kept (Article 497).

Furthermore, the Mining Regulations require that stakeholders, including local communities, are involved in the EIA process and that they are informed of EMP and rehabilitation plan (Articles 444, 451, 477 and 478). They also require that a stakeholder engagement plan is developed (Articles 477 and 479) and the titleholder pursues a constructive dialogue with communities (Article 477). The regulations require that all communities affected by the project are identified, including communities living near the mine site and major infrastructure developed for the project and along roads used for transport. They also require that communities undertaking subsistence activities near the mine site and downstream water users are identified (Article 480).

Environmental reporting and audits required prior to closure of the mine are outlined in Articles 465 to 467 and Articles 473 and 475. When the Directorate responsible for the Protection of the Environment is satisfied that environmental obligations in the EMP and rehabilitation plan have been entirely fulfilled, the titleholder can be issued with a Certificate of Discharge from Environmental Obligations (Article 472).

Compliance with local legislation

SRK understands that currently only one environmental approval is required for the Kinsevere Mine. That is EIA approval in terms of the Mining Code and Regulations as outlined above. It is likely that the mine will be required to obtain other environmental approvals/permits/licences in the next decade, as the advancement of environmental legislation in the DRC progresses.

As explained earlier, the mine has an approved EIA (the 2007 EIA) and one amendment has been made to the EIA (the 2007 EIA Addendum), which has been approved. In 2012, the 2007 EIA will have to be officially reviewed and updated as, according to Article 463, an EIA revision is required every five years. SRK has been informed by the Company that it has obtained DRC legal advice that there is currently no foreseeable legal impediment to Anvil obtaining the GoDRC's approval for its EIA, provided that Anvil continues to comply with its obligations under the Mining Code and Mining Regulations relating to the update and approval of its EIA. Further, the EIA was partially updated in Q1 of 2011 to include new management commitments for increased groundwater discharge, and GoDRC approval for these updates was obtained without any impediments.

The mine does consult with local communities and has undertaken the consultation required during the EIA process. The mine does not however have a stakeholder engagement plan.

The mine does produce annual environmental management reports and submits these to the Directorate of Mining Environment Protection as required in terms of the Mining Regulations (Article 445 and 458). The 2010 report presents much data but does not provide direct insight

on implementation of, and compliance with, the mine's EMP and rehabilitation plan.

The mine appointed an "authorised Environmental Study Agency", specifically DRC Green, to undertake an external environmental audit in 2009, as required in terms of the Mining Regulations (Articles 459 and 460). The auditor concluded that the mine was compliant with its EMP and provided several recommendations for enhancement of environmental management performance.

15.8.2 International Guidelines

The Kinsevere Mine is compliant with the Equator Principles in the following respects;

- an ESIA has been undertaken for the development;
- the ESIA includes an ESMP and a rehabilitation plan;
- there was stakeholder engagement in the ESIA process;
- there is on-going stakeholder engagement;
- management undertakes regular monitoring and reports on ESMP compliance, although this could be improved; and
- there has been independent review of the ESIA, the ESMP, the rehabilitation plan and stakeholder engagement on behalf of development financiers.

The Kinsevere Mine is not compliant with the Equator Principles in the following respects:

- the ESIA was not originally developed in accordance with international standards, it has been revised but is still not entirely compliant with the IFC Performance Standards;
- a complete SEMS has not been established; and
- the mine does not have a stakeholder engagement plan and has not established a grievance mechanism.

Since 2008, Anvil has undertaken further ESIA work and developed an ESAP to achieve compliance with the Equator Principles and the IFC Performance Standards. The more recent work undertaken by Anvil in 2010 is outlined as follows:

- an assessment of the impacts of groundwater discharge from the dewatering system into the Kifumashi River;
- a retrospective assessment of the impacts of the power line and access road developments; and
- compilation of a "Biodiversity Action Plan".

That said, the following shortcomings in relation to the Equator Principles still exist:

- changes in socio-economic impacts during the different project phases have not been adequately assessed;
- the conceptual closure plan does not include measures for managing socio economic impacts related to project closure; and
- the ESIA report does not provide detail on the potential quantity of Green House Gases ("GHGs") generated from Kinsevere Mine.

Not all of the work completed in 2010 is compliant with the IFC Performance Standards as outlined below:

- The assessment of the impacts of discharge of groundwater from the dewatering system into the Kifumashi River is not based on adequate hydrological and land use data. In addition, the assessment focuses only on discharge; it does not consider the impacts of the increased groundwater abstraction on flow in the Kifumashi River and on water availability to surrounding groundwater users. Groundwater drawdown resulting from the increased abstraction has not been modelled and interpreted in terms of impacts on surrounding water resources. Furthermore, the assessment assumes that the quality of the discharged groundwater does not deteriorate through the various phases of the mine development. This assumption needs to be reviewed. The 2009 ESIA indicates that seepage from the TSF and other sources on the mine site will be drawn towards the pits by the dewatering scheme. If dewatering scheme boreholes intercept pollution plumes the discharges could have detrimental effects on the aquatic ecosystem and communities reliant on surface water; and
- The Biodiversity Action Plan states that the copper-cobalt grassland flora on Kinsevere Hill qualifies as critical habitat and destruction of the habitat will take place if no mitigation measures are implemented. The plan needs to be more specific on the mitigation measures to be implemented.

15.9 Summary Comments

The environmental issues highlighted require appropriate and on-going management by Anvil throughout the course of operations at Kinsevere Mine. Accordingly SRK considers that provided these issues (specifically: mine dewatering programme; and pollution from non-neutralised tailings) are proactively managed, then they are not considered to be material both with respect to the 2011 Statements (SRK Depleted) and the Technical Valuation for the Kinsevere Mine.

Kinsevere Mine operates in compliance with DRC environmental legislation and to meet its social responsibilities. SRK concludes that there is currently no evidence that Kinsevere Mine will not be able to maintain these approvals in the foreseeable future. Kinsevere Mine does however need to further improve its SEMS to achieve compliance with the IES, specifically the Equator Principles and the IFC Performance Standards.

Accordingly the measures listed below are necessary to improve the current SEMS:

- Creation of a legal register that identifies and maintains developments in both national and international law and documents laws that are relevant to Kinsevere Mine;
- Consolidation of management commitments in the EMP/ESMP, the ESAP, approval documents and other management/action plans into a management commitments database;
- Ensure that monitoring and auditing results provide useful information on compliance with management commitments and environmental performance;
- Ensure that monitoring and auditing results assist in reviewing and refining management performance;

- Although Anvil readily engages with stakeholders, required improvements to stakeholder engagement practices are:
 - development of a stakeholder engagement plan,
 - ensuring that all stakeholder engagement is fully documented,
 - establishment of a grievance mechanism;
- As Kinsevere Mine is legally obliged to review and update the 2007 EIA in 2012, use this as an opportunity to bring together all the improvements, updates and amendments to the 2007 EIA into one document;
- Inclusion of GHG in the 2012 ESIA and ESMP; and
- Prioritise the further investigation of management measures to conserve the copper-cobalt grassland on Kinsevere Hill.

Potential impacts on water resources require further investigation to ensure that these are fully defined and appropriate management measures are implemented. The potential impacts requiring further technical work are as follows:

- Groundwater pollution, especially seepage from the TSF and waste rock disposal facilities;
- Surface water pollution in the event that groundwater pollution plumes intercept the Kifumashi River or dewatering abstraction boreholes;
- Adverse impacts on land use downstream of the groundwater discharge point on the Kifumashi River; and
- Reduction in groundwater availability to surrounding groundwater users as a result of mine dewatering.

16 BENCHMARKING

16.1 Introduction

The following section includes the results of a cost benchmarking analysis for global copper producers which have been derived from various internet sources. The purpose of the analysis is to ascertain where the LoMp weighted average cash cost falls with respect to the various quartiles representing the copper mining industry. Furthermore SRK has highlighted a number of similar oxide operations located in Southern Africa.

16.2 Definitions

Cash costs as defined here are generally based on the C1 basis which includes all operating costs required to receive the sales revenue as projected. Accordingly the numerator is the summation of the following operating costs: mining (waste+ore), processing, site overheads, transportation costs, treatment charges, refining charges, realisation charges and mineral royalties but will exclude corporate taxation, corporate overheads, environmental closure costs, terminal benefits liabilities, financing charges and all non-cash items such as depreciation and amortization charges. The denominator in the determination of the unit C1 costs is then based on the payable unit of metal. With respect to reporting convention two principal methods are applied:

- by-product reporting whereby the sales revenue from defined by-products are recorded as a deduction against operating expenses and the resulting numerator is divided by the principal payable product; and
- co-product reporting whereby the denominator is determined by the summation of equivalent principal payable product. In this case the by-products are converted to equivalent principal payable products based on the ratio of total sales revenue to principal product unit sales revenue.

Accordingly two types of cash cost curves are reported: C1 (USc/lb) based on by-product reporting; and C1E (USc/lb) based on co-product reporting.

Mine Costs (US\$/t) are based on mining, processing, general & administration costs divided by total tonnes processed.

Figure 16-1 through Figure 16-3 below plot all costs against cumulative copper production.

For this assessment, costs are in 2010 dollars and exchange rates, with the commodity price used based on LME actual prices for 2010: copper US\$342/lb, molybdenum US\$15.80/lb, zinc US\$98/lb, lead US\$97/lb, nickel US\$9.89/lb, silver US\$20.16/oz and gold US\$1,225/oz. Furthermore input cost forecasts include a 60% reduction in the price of diesel, a 75% to 80% reduction in acid costs and a 65% reduction in ocean freight costs. For comparative purposes the long-term price assumption in the Financial Model has been adjusted to US\$342/lb.

16.3 Cash Cost Curves

Figure 16-1 through Figure 16-3 present graphically the cash cost curves for the copper mining sector and benchmarks the Kinsevere Mine against other operations in Southern Africa which operate SX-EW technology as well as the cash costs corresponding to 25%, 50% and 75% of production.

Figure 16-1: Kinsevere Mine: C1 (USc/lb) copper cash cost curve (2010)

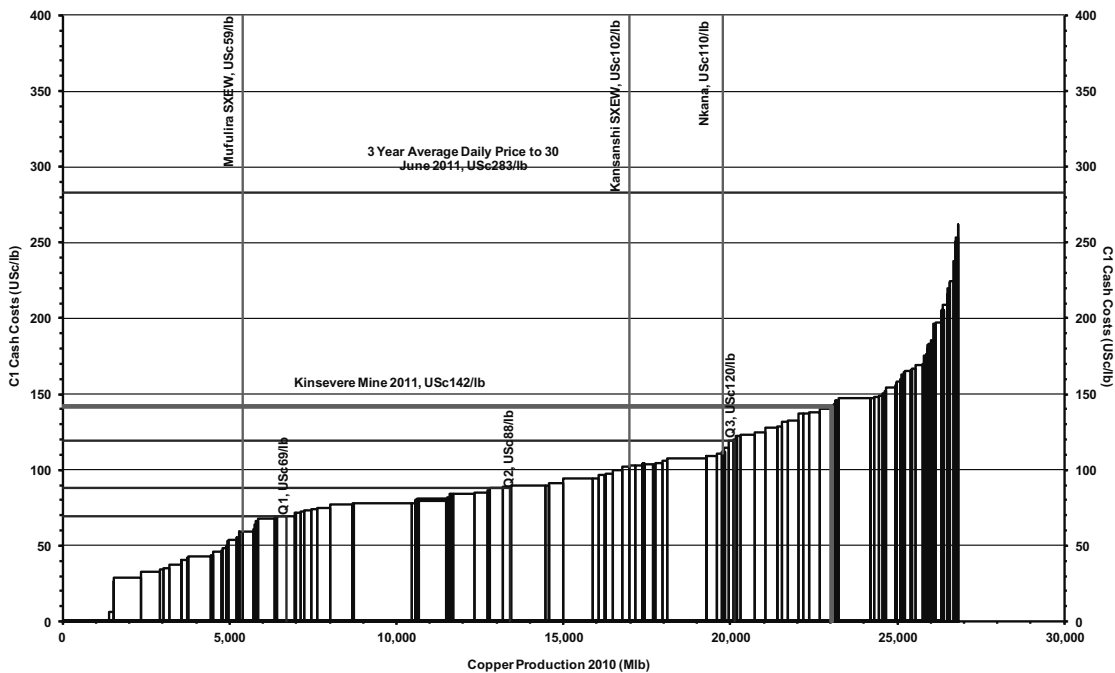


Figure 16-2: Kinsevere Mine: C1E (USc/lb) copper cash cost curve (2010)

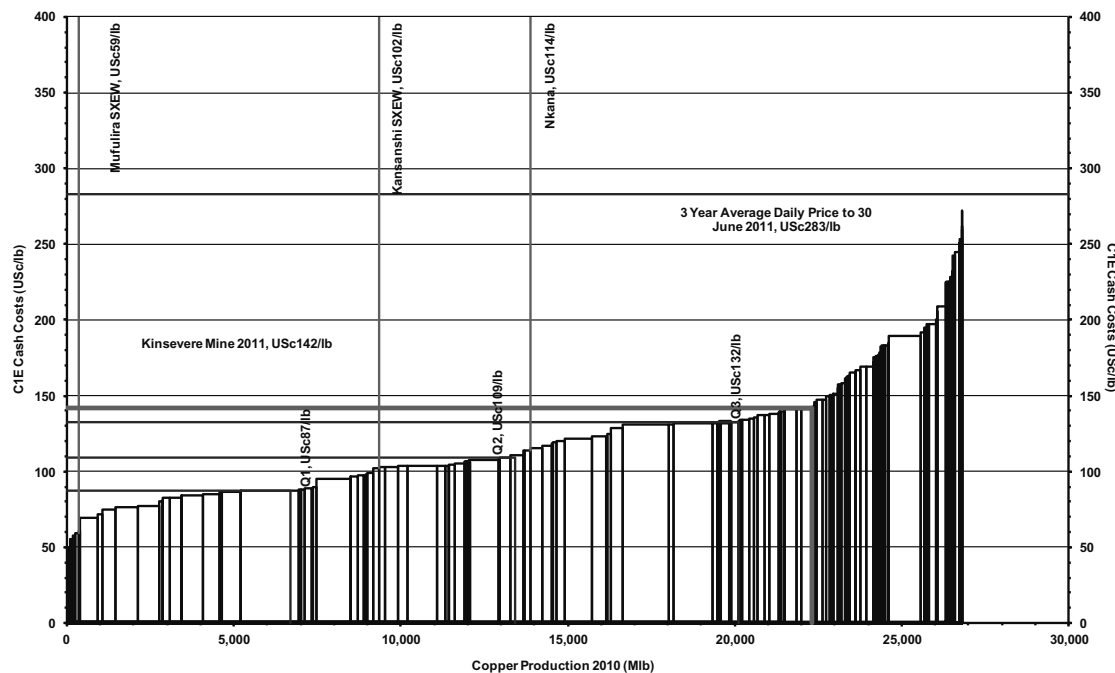
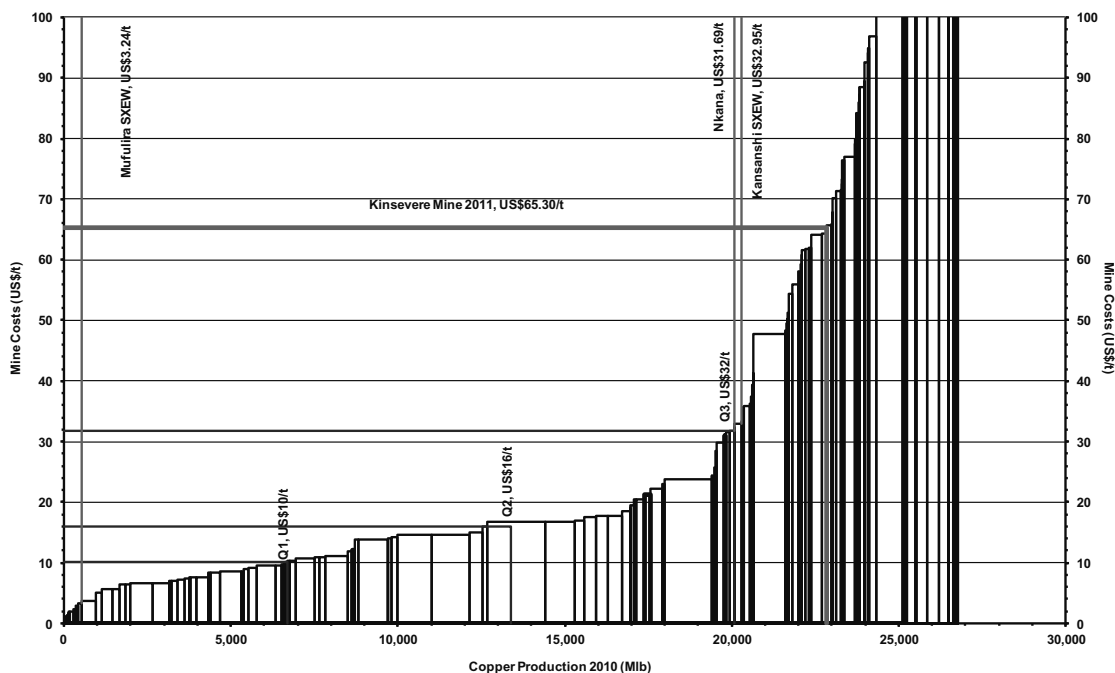


Figure 16-3: Kinsevere Mine: Mine Costs (US\$/t) copper cash cost curve (2010)

Based on the analysis, the Kinsevere Mine is ranked in the fourth quartile for reporting on a by-product and excluding by-product basis; and for reporting on a US\$/t milled (crushed) basis.

SRK notes that with respect to all cash cost benchmarks the Kinsevere Mine is located in either the third or fourth quartile of copper production. The current LoMp provides for weighted average cost of USc142/lb (US\$65.30/t_{milled}) at a constant copper price of USc342/lb (2010 comparison).

16.4 Conclusions and Recommendations

SRK concludes that based on the current LoMp the Kinsevere Mine reports in the uppermost (fourth) quartile when benchmarked against its international peers.

17 VALUATION REPORT – METHODOLOGY

17.1 Introduction

The following section provides discussion and comment on the valuation approach and methodologies adopted by SRK in valuing the Kinsevere Mine.

Valuation methods in common usage for mineral assets are dependent on numerous factors including and not necessarily limited to: the nature of the valuation undertaken; the development status of the mineral assets; and the extent and reliability of available information.

Kinsevere Mine is classified as an operating mine in accordance with the definitions applied in respect of the Valmin Code 2005, specifically mineral properties, particularly mines and processing plants which have been commissioned and are in production.

17.2 Valuation Approach and Valuation Methods

In general there are three main and generally accepted analytical valuation approaches that are in common use for determining the "Fair Market Value" of mineral assets, each of which is described below and which largely rely on the principle of substitution, using market derived data.

The "Fair Market Value" is defined in the Valmin Code 2005 as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) determined by the relevant expert in accordance with the provisions of the Valmin Code 2005 for which the mineral asset should change hands on the relevant date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting, knowledgeably, prudently and without compulsion. The Fair Market Value is usually comprised of two components, the underlying "Technical Value" of the mineral asset, and a premium or discount related to market, strategic or other considerations.

The "Technical Value" is defined in the Valmin Code 2005 as, an assessment of a mineral asset's future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a relevant expert or specialist, excluding any premium or discount to account for such factors as market or strategic considerations.

SRK has determined the "Technical Value" for Kinsevere Mine which comprises a valuation of the oxide Ore Reserves determined using the DCF (as defined below) method.

The Technical Value is a valuation pursuant to Chapter 18 of the Listing Rules ("**Chapter 18 Value**"). Whilst the valuation of Measured and Indicated Mineral Resources not modified to produce Ore Reserves are permitted under Chapter 18 of the Listing Rules, SRK has not included in the Chapter 18 Value, the following:

- The remaining oxide Mineral Resources because they are not considered material and report outside of the current engineered design shell which supports the LoMp; and
- The unexploited sulphide Mineral Resources because they: require a fundamental change to the nature of the current operations with respect to process technology; are not supported by appropriately detailed technical investigations to support the declaration of Ore Reserves; are of insufficient volume to support a stand-alone alternative process route and supporting infrastructure; and are not considered material relative to the current oxide Ore Reserves.

In accordance with Chapter 18 of the Listing Rules, SRK has not included any consideration of Inferred Mineral Resources in determining the Chapter 18 Value for Kinsevere Mine. The exclusion of these sources of potential value as well as the exclusion of a premium or discount related to market, strategic or other considerations means that the Chapter 18 Value does not reflect a Fair Market Value (as defined in Section 17.2).

Income Based Approach (also referred to as the Income Capitalization Approach)

The "**Income Based Approach**" considers income and expense data relating to the mineral asset or property being valued and estimates value through a capitalisation process. Accordingly this is based on the principle of anticipation of benefits and includes all valuation methods that are based on the income or cash-flow generation potential of the mineral asset or property.

The underlying theory of this approach is that the value of the mineral asset or property can be measured by the present worth of the economic benefits to be received over the useful life of the mineral asset or property. Based on this valuation principle, the Income Based Approach estimates the future benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits.

Alternatively, this present value can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is however subject to the assumption that the mineral asset or property will continue to maintain stable economic benefits and growth rate.

For the Income Based Approach, the most widely used valuation method applied for mineral assets or properties (pre-development, development and operating mines) is discounted cash flow (“**DCF**”). This method considers the majority of factors that influence the value of the business enterprise, including expected changes in the mineral asset or property's operating activity and profitability.

The approach requires three elements:

- a forecast of the expected future cash flows;
- the selection of an appropriate discount rate; and
- a determination of terminal value, beyond the forecast period if considered applicable.

Under this approach, it is necessary to utilize projections of revenues, operating expenses, depreciation, income taxes, capital expenditures, and working capital requirements. The present value of the resulting cash flows provides an indicated value of the total invested capital in the operating business enterprise.

In order to eliminate the impact on value of the different long-term financing options available to a potential purchaser of the business, analysis is generally made on a debt-free basis. That is, the projections themselves have not considered the use of borrowed money. Prospective financing structures are however considered in determining an appropriate discount rate.

The projected real terms cash flows are discounted using end-point discounting and the sum of the present values of the discounted interim cash flows and the discounted terminal value (if applicable) are added to provide an indication of value for the mineral asset or property appraised, commonly referred to as the net present value (“**NPV**”).

Market Based Approach (also referred to as the Sales Comparison Based Approach)

The “**Market Based Approach**” considers the sales of similar or substitute mineral assets or properties and related market data, and establishes a value estimate by process involving comparison. For the mining and metals sector the methodologies applied is by consideration of indirect means which seeks to compare the subject mineral asset or property to similar mineral assets or properties which have been sold/transacted in an open market. Accordingly value in this instance is established by the principle of substitution which simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

Examples of valuation of methods employed for the Market Based Approach include the guideline company methods, the transaction method, the analysis of prior transactions in the ownership of the subject company, and the rules of thumb. The mineral asset or property used for comparison must serve as a reasonable basis for comparison and factors to be considered in judging whether a reasonable basis for comparison exists include:

- A sufficient similarity of qualitative and quantitative investment characteristics.
- The amount and verifiability of data known about the similar investment.
- Whether or not the price of the similar investment was obtained in an arm's length transaction, or a forced or distressed sale.

The "**Guideline Companies Method**" (also the "**Guideline Public Companies Method**"), is a method within the market approach, whereby share prices of similar, actively traded publicly owned companies are applied to the subject company through valuation multiples.

The "**Guideline Transaction Method**", (also the "**Merger and Acquisition Methodology**"), is a method within the market approach whereby pricing multiples are derived from transactions of significant interests in public or privately owned companies engaged in the same or similar lines of business.

Indicators of value normally applied include the following ratios:

- market value or transaction price divided by:
 - the total equivalent units of contained metal/mineral included in Mineral Resources or Ore Reserves,
 - annual production capacity of metal/minerals; and
- The ratio of the market value or transaction price to the total equivalent units of contained metal/mineral included in Mineral Resources or Ore Reserves divided by the current spot price of the relevant metal/mineral.

Cost Based Approach (also referred to as the Asset-Based Approach)

The "**Cost Based Approach**" considers the possibility that, as a substitute for the purchase of a given mineral asset or property, one could construct another mineral asset or property that is either a replacement of the original or one that could furnish equal utility.

Accordingly this is based on the principle of contribution to value which relies on the general concept that the earning power of a mineral asset or property is derived primarily from the value of the assets net of liabilities. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a mineral asset or property and equals to the value of its invested capital ("*equity and long term debt*"). In other words, the value of the mineral asset or property is represented by the money that has been made available to purchase the mineral assets or property needed.

The **Cost Based Approach** is generally not appropriate for valuing mineral assets or properties however this is normally applied for valuing tangible assets other than mineral assets or properties. Typical methods applied in this case include the "**depreciated replacement cost method**" and "**market method**".

17.3 Materiality

Consideration of materiality as defined within the Valmin Code 2005 refers to: (a) the contents and conclusions of the CPVR; (b) any contributing assessment, calculation or the like; and (c) data and information; are of such importance that their inclusion or omission from a technical assessment or valuation may result in a reader of the CPVR reaching a different conclusion than would otherwise be the case.

The determination of what is material depends on both qualitative and quantitative factors. Something may be material in the qualitative sense because of its very nature, such as, for example, country risk. In the case of quantitative issues in this CPVR, the materiality of data has been assessed in terms of the extent to which the omission or inclusion of an item could lead to changes in total value of: less than five per cent where the item is generally not material; between five and ten per cent where the item may be material; and more than ten percent where the item is definitely material.

17.4 Summary Conclusions

SRK has derived the Chapter 18 Value for Kinsevere Mine based on application of the Income Based Approach. The Chapter 18 Value has been derived using the DCF method which SRK considers to be the most appropriate method given the development status (operating) of Kinsevere Mine where the economic benefit streams generated can be identified and ascertained based on various historical and forecast technical-economic information provided by Anvil including but not limited to production schedules, operating expenditures and capital expenditures as incorporated into the current LoMp and detailed in this CPR.

SRK has relied on the Market Based Approach and the Guideline Transaction Method to cross-check the reasonableness of the Chapter 18 Value for Kinsevere Mine. Specifically SRK has reviewed a number of project based transactions from 1995 through 2011 inclusive, distinguishing between various data sets based on comparability tests including development status, location and deposit size.

SRK considers that the Cost Based Approach is not appropriate to use in valuing mineral assets or properties and the buyers in mineral transactions seldom consider, or rely upon the Cost Based Approach.

18 VALUATION REPORT – CHAPTER 18 VALUE

18.1 Introduction

In applying the Income Based Approach and DCF methodology to determine the Chapter 18 Value for Kinsevere Mine, SRK has developed a financial model (the “**Financial Model**”) based on the base case financial model developed by Anvil and where appropriate including various adjustments to the forecasted production, operating expenditure and capital expenditure line items.

As discussed in Section 1.2 of this CPVR, SRK has relied upon certain financial information provided by Anvil inclusive of that included in public domain reporting as well as management accounts. Specifically these relate to the accuracy of closing balances as at 30 September

2011 for: working capital and taxation assumptions. Furthermore, in preparing the Financial Model, and consequently deriving the Chapter 18 Value for Kinsevere Mine, SRK has relied on various inputs, the nature of and underlying rationale for which is discussed below.

18.2 Financial Model Structure and Inputs

18.2.1 Technical-Economic Parameters

The TEPs for the Financial Model have been summarised from technical data presented in Sections 2, 9, 10, 11, 12, 13 and 15. Table 18-1 presents a summary of the TEPs for the Kinsevere Mine where all commodity price related cost components reflect the CMF as reported in Table 2-7 of this CPVR.

The principal TEPs reflect the following:

- Increased power costs from current levels which assumes that the supply is sourced 50% from SNEL generated power and 50% from ZESCO generated power and in addition incorporates a 10% increase over and above this, to reflect the assumed longer term operating conditions. This results in a net increase in total power related operating expenditures of 40%; and
- Increased acid supply costs to a price of US\$430/t_{acid}.

Table 18-1: Kinsevere Mine: technical economic parameters

Year	Copper Sales (ktCu)	C1(E) Cash Costs		Capital Expenditure (US\$m)
		(US\$m)	(USc/lb)	
Q4 2011	15	45.4	141	(5.8)
2012	61	181.5	136	(13.0)
2013	61	173.3	130	(8.2)
2014	60	167.0	127	(8.0)
2015	60	164.7	125	(8.0)
2016	60	162.1	123	(9.0)
2017	60	160.3	122	(9.6)
2018	60	164.4	125	(8.0)
2019	60	164.7	125	(8.0)
2020	60	156.6	119	(8.0)
2021	53	125.7	107	(8.0)
2022	24	95.7	181	(8.0)
2023	16	88.2	244	(4.0)
2024	15	86.6	268	(4.0)
2025	14	86.0	275	-
2026	14	77.3	257	-
2027	12	57.3	212	-
Total	702	2,156.7	139	(109.5)

18.2.2 Working Capital

The working capital assumptions as included in the Financial Model are as follows: debtors 14 days (opening balance of US\$33.38m); creditors 15 days (opening balance of US\$21.73m); and stores 60 days (opening balance of US\$11.93m).

The assumptions regarding the working capital days are solely based on Anvil's perspective at the time of authoring the LoMp. As Kinsevere Mine is currently in the production build-up stage there is limited operating statistics to support these, however SRK consider them to be reasonable given the proposed nature of the operations.

18.2.3 Work in Progress

The Financial Model incorporates appropriate assumptions for derivation of the net movement in work in progress ("WIP"). Specifically SRK has assumed that 10 days is a reasonable assumption from mining through to production of saleable cathode which is then available for

direct sales. The assumed opening balance as at 1 October 2011 is 1,459 which is conservative given that production is now approaching build up to name plate capacity. Accordingly an indication of the current WIP balance on reaching full production (60ktCupa) is 2,264tCu (assuming 10 days).

18.2.4 Mineral Royalties and lease rents

Mineral Royalties have been determined using the terms reflected in the latest agreements between AMCK, GoDRC and Gécamines whereby the following apply:

- GoDRC royalty is based on 2% of net sales revenue where deductible costs include all variable realisation costs: cathode cartage costs; export documentation and insurances;
- Gécamines lease rent is based on 2.5% of gross sales revenue; and
- Payments for repatriation of receipts based on 0.08% of gross sales revenue.

Pursuant to the Clarification Agreement and the Amended Lease Agreement, AMCK will also pay to Gécamines US\$35/tCu on the "new copper reserves" contained within the Kinsevere Mine over and above those published in Anvil's annual information form for the financial year ended 31 December 2010. For the avoidance of doubt, the Company has informed SRK that "new copper reserves" refers to additional total contained copper reported in future Ore Reserves published by Anvil or the Company. If the US\$35/tCu royalty was payable on the difference between the total contained copper in the Ore Reserves for the Kinsevere Mine reported in the 2010 Statements (Anvil) and the total contained copper estimated in the 2011 Statements (SRK Depleted), the royalty payable would not be material. SRK does not consider this payment to be material to the Chapter 18 Value and has not factored this payment into its Financial Model. SRK notes that the US\$35/tCu royalty payment may become material to future valuations if in the future an increase is reported in the total contained copper for the Kinsevere Mine from that reported in the 2011 Statements (SRK Depleted), however SRK's Chapter 18 Value is based on the 2011 Statements (SRK Depleted).

AMCK has also agreed, pursuant to the Clarification Agreement and the Amended Lease Agreement, to pay Gécamines US\$12.5m of the royalty pre-payment at signing of the agreements and to pay the balance of the amounts payable, including the US\$15m commercial payment, upon completion of the change of control of Anvil. The royalty pre-payments to be made by AMCK are an advance on future royalty payments required to be made by AMCK to Gécamines under the Lease Agreement and are made on normal commercial terms. SRK does not consider the royalty pre-payments under the Amended Lease Agreement to be material to the Chapter 18 Value and has not factored these payments into its Financial Model. The commercial payment relates to the restructure of certain terms contained in the agreements governing Anvil's involvement in the Kinsevere Mine and Mutoshi Project. For these reasons, SRK does not consider that the payment should be included in its assessment of the Chapter 18 Value for the Kinsevere Mine and, in any event, the commercial payment is not material to the Chapter 18 Value.

18.2.5 Taxation

The assessment of taxation for the Kinsevere Mine is largely based on the DRC taxation framework applicable to mining companies as set out in the section headed "Legal and Regulatory Regime in which the Anvil Group Operates" in the Offer Circular, the salient features of which are summarised below:

- **Corporate Income Tax ("CIT")** levied at a rate of 30%;
- **Depreciation** at a rate of 60% for the first year and declining balance depreciation for each subsequent tax year. Any depreciation incurred in loss-making periods is deferred and may be accumulated without restriction over the subsequent tax years. The opening PP&E balance as at 1 October 2011 was US\$486.16m;
- **Tax losses** may be deducted from future profits but only carried forward for a maximum of five years. The tax loss position as at 1 October 2011 is noted at US\$132.4m; and
- Value Added Tax ("**VAT**") estimated at a rate of 13% and the opening balance for VAT is zero.

18.2.6 Discount Rate

The discount rate analysis undertaken by SRK largely relies on the Weighted Average Cost of Capital ("**WACC**") calculation which incorporates the following components:

- Corporate Income Tax of 30%;
- A long-term US CPI of 2.00%;
- A risk free rate of 2.92% based on a 20-year constant maturity US treasury bill quoted as at 30 September 2011 and a premium of 0.26%;
- A pre-tax cost of debt assuming ten year swapped Libor + 4.0% margin;
- A country risk premium of 1.65% based, inter alia, on an assessment of composite risk rankings of the DRC (1.57) relative to the United States;
- An equity market risk premium of 5.84%, based on the net difference between the arithmetic mean of the MSCI 5 and 10 year return (8.76%) and the risk free rate; and
- An Anvil specific beta of 1.71 based on determinations made by the Company's advisors on the following basis:
 - Predicted equity beta of 1.32 with current capital structure. Predicted equity beta is a forecast of the stock's sensitivity to the market derived from fundamental risk factors. It is also known as fundamental beta,
 - The predicted equity beta of 1.32 translates into an asset beta of 1.31 with current capital structure,
 - Assuming long term debt and equity capital structure of 30% and 70% respectively, levering the asset beta of 1.31 translates into specific equity beta of 1.71,

This can be compared to:

- the cumulative industry curve for copper mining companies (Figure 18-1) sourced from quotations derived from financial websites as at 30 June 2011 and where the following applies: Q1 through Q3 represent the quartile positions; ACM:CN is Anvil Mining; FQM:LN is First Quantum Minerals Limited; and MTX:SJ is Metroex Limited,

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- a beta of 1.52 based on fundamental calculations in comparing relative movements in Anvil’s share price as well as the Morgan Stanley Capital International (“**MSCI**”) (Figure 18-2).

Table 18-2 below presents the WACC calculation for AMCK where the real terms WACC is estimated at 9.30%.

Table 18-2: AMCK: weighted adjusted cost of capital calculations

Assumptions	Units	Amount
Corporate Tax Rate	(%)	30.00%
Long Term Inflation	(%)	2.00%
Debt as a % of Capital	(%)	30.00%
Cost of Debt		
Pre-tax cost of debt - LT	(%)	6.18%
Less: tax shield	(%)	-1.85%
After-tax cost of debt	(%)	4.33%
Cost of Equity		
Risk-free rate	(%)	2.92%
Country Risk	(%)	1.65%
Beta-weighted market risk premium		
- Equity market risk premium	(%)	5.84%
- Proxy beta	(%)	1.71
Cost of equity	(%)	14.55%
Weighted Average Cost of Capital		
Debt (30%)		1.30%
Equity (70%)		10.19%
WACC (Nominal)		11.49%
Project Risk Premium		0.00%
WACC (Nominal) - inc risk premium		11.49%
WACC (Real) - inc risk premium		9.30%

Figure 18-1: Copper industry cumulative beta curve

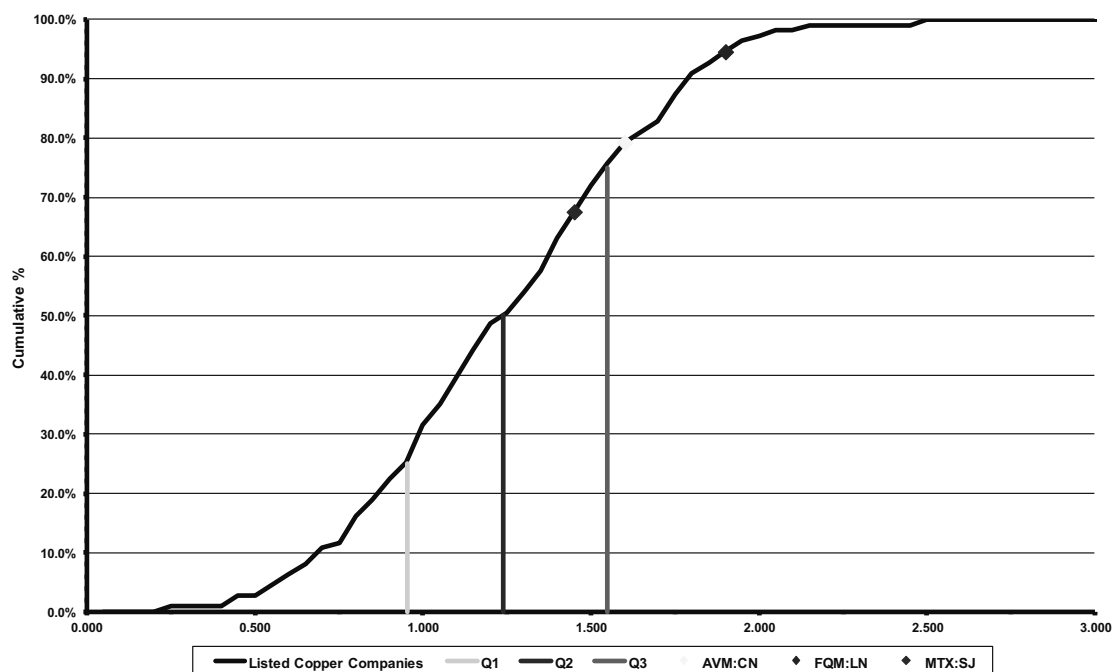
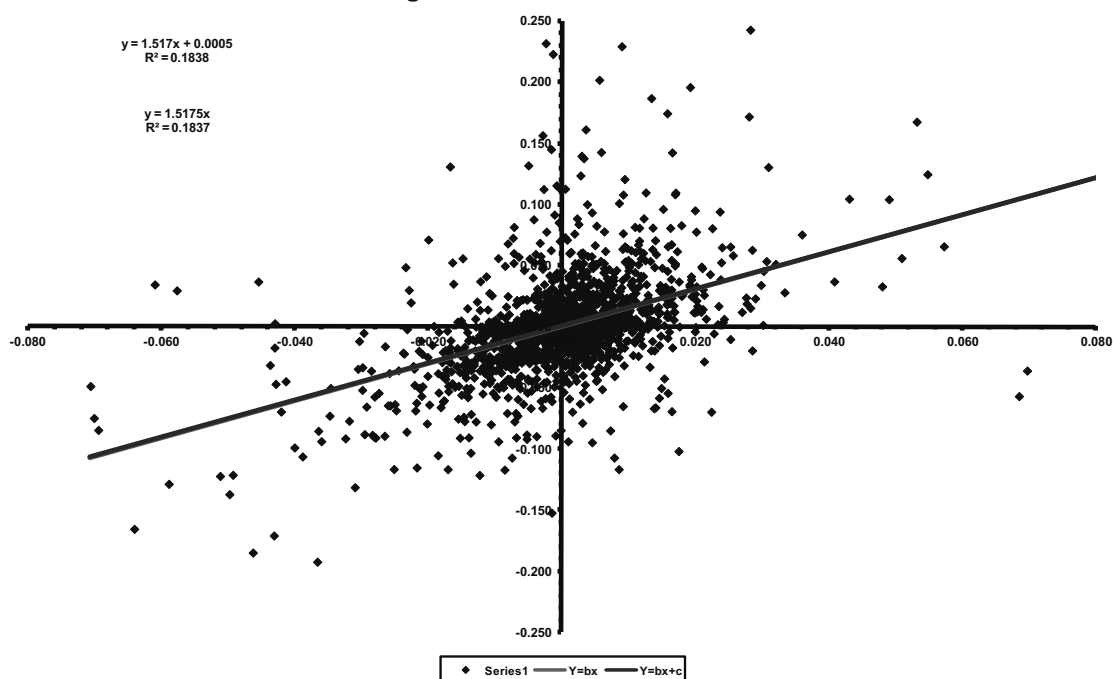


Figure 18-2: Fundamental beta analysis: y-axis = Anvil delta; x-axis = MSCI data from 30-06-2004 through 24 October 2011



18.3 Financial Model Results

Table 18-3 and Table 18-4 present the real-terms 1 October 2011 post-tax pre-finance cash-flows for the Kinsevere Mine. The total post-tax pre-finance cash-flow is estimated at US\$1.65bn with an overall cash operating cost of USc139/lb. Cash operating expenditures during the latter period (2023 onwards) increase significantly in excess of USc200/lb primarily due to the reduction in head grades of the lower grade stockpile material once mining is complete.

Table 18-5 present the results of the Chapter 18 Value (calculated as an NPV) sensitivity to discount rate and Table 18-6 presents the results of twin parameter Chapter 18 Value sensitivity. In summary this indicates that at a discount rate of 9.30% real and a CMF which includes a long term copper price of USc249/lb, the Chapter 18 Value for 100% for Kinsevere Mine is US\$1.16bn.

18.3.1 Post-Tax Pre-Finance Cash-flows

Table 18-3: Kinsevere Mine: Financial Model Q4 2011 through 2018 inclusive

Financial Year	Units	LoMp Totals /Average	Q4 2011	2012	2013	2014	2015	2016	2017	2018
Production										
Processed	(kt)	25,536	532	1,885	1,622	1,600	1,600	1,605	1,600	1,600
	(%TCu)	3.67%	3.84%	4.39%	4.98%	4.98%	4.98%	5.07%	5.23%	4.71%
	(%ASCu)	2.99%	3.07%	3.50%	4.07%	4.06%	4.06%	4.07%	4.07%	4.06%
	(ktTCu)	936	20	83	81	80	80	81	84	75
	(ktASCu)	764	16	66	66	65	65	65	65	65
Recovery - Cu	(%)	92.1%	90.8%	92.4%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%
Recovered	(ktCu)	704	15	61	61	60	60	60	60	60
Sales										
Copper	(ktCu)	702	15	61	61	60	60	60	60	60
	(MlbCu)	1,548	32	133	134	131	131	132	132	131
Commodity Prices										
Copper	(US\$/lb)	294	336	395	386	349	322	299	249	249
Financial - Real										
Sales Revenue	(US\$m)	4,553.6	108.3	526.9	516.4	458.6	423.2	394.7	328.0	327.4
Copper	(US\$m)	4,553.6	108.3	526.9	516.4	458.6	423.2	394.7	328.0	327.4
Operating Expenditure	(US\$m)	(2,327.2)	(48.2)	(193.8)	(185.3)	(178.4)	(175.7)	(172.8)	(170.4)	(174.4)
Mining	(US\$m)	(271.4)	(8.0)	(32.9)	(31.1)	(28.7)	(28.0)	(26.4)	(27.9)	(32.0)
Processing	(US\$m)	(836.8)	(14.2)	(61.2)	(59.4)	(58.6)	(58.7)	(58.8)	(58.7)	(58.7)
Overheads	(US\$m)	(555.8)	(12.3)	(38.8)	(34.6)	(34.6)	(34.6)	(34.6)	(34.6)	(34.6)
Realisation	(US\$m)	(289.3)	(6.0)	(24.9)	(24.9)	(24.5)	(24.5)	(24.6)	(24.6)	(24.5)
Environmental	(US\$m)	(37.0)	-	-	-	-	-	-	-	-
Terminal Benefits	(US\$m)	(4.1)	-	-	-	-	-	-	-	-
Royalty	(US\$m)	(203.3)	(4.9)	(23.7)	(23.2)	(20.6)	(18.9)	(17.6)	(14.6)	(14.6)
Import Duty	(US\$m)	(15.6)	(0.3)	(1.2)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Export Duty	(US\$m)	(113.9)	(2.5)	(11.2)	(11.1)	(10.4)	(10.0)	(9.8)	(9.1)	(9.1)
VAT Movement	(US\$m)	-	-	-	-	-	-	-	-	-
Operating Profit	(US\$m)	2,226.3	60.1	333.1	331.0	280.2	247.5	221.8	157.6	153.0
Tax Liability	(US\$m)	(491.5)	-	-	(77.2)	(78.5)	(68.6)	(60.6)	(41.2)	(39.9)
Capital Expenditure	(US\$m)	(109.5)	(5.8)	(13.0)	(8.2)	(8.0)	(8.0)	(9.0)	(9.6)	(8.0)
Project	(US\$m)	-	-	-	-	-	-	-	-	-
Sustaining	(US\$m)	(109.5)	(5.8)	(13.0)	(8.2)	(8.0)	(8.0)	(9.0)	(9.6)	(8.0)
Working Capital Net Movement	(US\$m)	23.6	8.0	(4.1)	0.3	2.5	1.4	1.4	2.3	(0.6)
Final Net Free Cash - Real	(US\$m)	1,648.9	62.3	316.0	246.0	196.2	172.3	153.6	109.2	104.5
Reporting Statistics - Real										
Cash Operating Costs	(US\$/lb)	139	141	136	130	127	125	123	122	125
Total Cash Costs	(US\$/lb)	139	141	136	130	127	125	123	122	125
Total Working Costs	(US\$/lb)	150	150	145	139	136	134	131	129	133
Total Costs	(US\$/lb)	156	143	158	144	140	139	137	135	139

APPENDIX IV COMPETENT PERSON'S REPORT AND VALUATION REPORT

Table 18-4: Kinsevere Mine: Financial Model 2019 through 2027 inclusive

Financial Year	Units	2019	2020	2021	2022	2023	2024	2025	2026	2027
Production										
Processed	(kt)	1,600	1,605	1,600	1,604	1,602	1,607	1,602	1,279	992
	(%TCu)	4.60%	4.54%	4.15%	2.15%	1.52%	1.36%	1.32%	1.61%	1.76%
	(%ASCu)	4.07%	4.06%	3.61%	1.57%	1.11%	0.99%	0.96%	1.17%	1.29%
	(ktTCu)	74	73	66	34	24	22	21	21	18
	(ktASCu)	65	65	58	25	18	16	15	15	13
Recovery - Cu	(%)	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%
Recovered	(ktCu)	60	60	53	23	16	15	14	14	12
Sales										
Copper	(ktCu)	60	60	53	24	16	15	14	14	12
	(MlbCu)	132	132	117	53	36	32	31	30	27
Commodity Prices										
Copper	(US\$/lb)	249	249	249	249	249	249	249	249	249
Financial - Real										
Sales Revenue	(US\$m)	327.5	328.3	292.0	131.8	90.0	80.5	77.8	74.9	67.3
Copper	(US\$m)	327.5	328.3	292.0	131.8	90.0	80.5	77.8	74.9	67.3
Operating Expenditure	(US\$m)	(174.7)	(166.7)	(135.5)	(100.3)	(91.7)	(89.8)	(89.1)	(80.1)	(100.1)
Mining	(US\$m)	(32.3)	(24.0)	-	-	-	-	-	-	-
Processing	(US\$m)	(58.7)	(58.8)	(56.2)	(45.3)	(42.8)	(42.2)	(42.0)	(35.2)	(27.3)
Overheads	(US\$m)	(34.6)	(34.6)	(34.6)	(34.6)	(34.6)	(34.6)	(34.6)	(32.9)	(22.0)
Realisation	(US\$m)	(24.5)	(24.6)	(21.9)	(10.0)	(6.9)	(6.2)	(6.0)	(5.7)	(5.1)
Environmental	(US\$m)	-	-	-	-	-	-	-	-	(37.0)
Terminal Benefits	(US\$m)	-	-	(0.8)	-	-	-	-	-	(3.3)
Royalty	(US\$m)	(14.6)	(14.6)	(13.0)	(5.9)	(4.0)	(3.6)	(3.5)	(3.3)	(3.0)
Import Duty	(US\$m)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(0.8)	(0.6)
Export Duty	(US\$m)	(9.1)	(9.1)	(8.1)	(3.7)	(2.5)	(2.2)	(2.2)	(2.1)	(1.9)
VAT Movement	(US\$m)	-	-	-	-	-	-	-	-	-
Operating Profit	(US\$m)	152.8	161.6	156.5	31.4	(1.7)	(9.3)	(11.3)	(5.2)	(32.9)
Tax Liability	(US\$m)	(39.8)	(42.3)	(40.6)	(2.9)	-	-	-	-	-
Capital Expenditure	(US\$m)	(8.0)	(8.0)	(8.0)	(8.0)	(4.0)	(4.0)	-	-	-
Project	(US\$m)	-	-	-	-	-	-	-	-	-
Sustaining	(US\$m)	(8.0)	(8.0)	(8.0)	(8.0)	(4.0)	(4.0)	-	-	-
Working Capital Net Movement	(US\$m)	0.0	0.8	3.4	5.7	1.3	0.3	(0.1)	(0.2)	1.0
Final Net Free Cash - Real	(US\$m)	105.0	112.2	111.3	26.3	(4.3)	(13.0)	(11.4)	(5.4)	(31.9)
Reporting Statistics - Real										
Cash Operating Costs	(US\$/lb)	125	119	107	181	244	268	275	257	212
Total Cash Costs	(US\$/lb)	125	119	107	181	244	268	275	257	212
Total Working Costs	(US\$/lb)	133	126	116	190	254	278	285	266	371
Total Costs	(US\$/lb)	139	132	119	194	261	289	285	267	367

18.3.2 Chapter 18 Value

Table 18-5: Kinsevere Mine: Chapter 18 Value sensitivity to discount rates

Discount Factor (%)	NPV (US\$m)
0.00%	1,648.9
5.00%	1,351.8
8.00%	1,213.0
9.00%	1,172.0
9.30%	1,160.1
10.00%	1,133.3
12.00%	1,062.2
15.00%	969.4
18.00%	890.3

Table 18-6: Kinsevere Mine: Chapter 18 Value twin parameter sensitivity at 9.30% discount rate

		Sales Revenue						
		-30%	-20%	-10%	0%	10%	20%	30%
Total Working Costs	-15%	284.1	596.5	923.8	1,285.0	1,681.1	2,108.9	2,572.9
	-10%	227.4	554.0	881.6	1,243.4	1,640.2	2,069.2	2,533.2
	-5%	170.7	511.4	839.5	1,201.8	1,599.2	2,029.4	2,493.5
	0%	114.1	468.4	797.3	1,160.1	1,557.8	1,989.5	2,453.8
	5%	57.4	425.4	755.2	1,118.5	1,516.4	1,949.5	2,414.1
	10%	0.7	382.2	713.0	1,076.9	1,475.0	1,908.5	2,374.4
	15%	(55.9)	338.5	670.8	1,034.7	1,433.6	1,867.5	2,334.7
		Sales Revenue						
		-30%	-20%	-10%	0%	10%	20%	30%
Capital Expenditure	-15%	125.4	477.8	806.6	1,169.3	1,566.9	1,998.2	2,462.1
	-10%	121.6	474.7	803.5	1,166.2	1,563.9	1,995.3	2,459.4
	-5%	117.8	471.5	800.4	1,163.2	1,560.8	1,992.4	2,456.6
	0%	114.1	468.4	797.3	1,160.1	1,557.8	1,989.5	2,453.8
	5%	110.3	465.3	794.2	1,157.1	1,554.8	1,986.6	2,451.0
	10%	106.5	462.1	791.1	1,154.0	1,551.7	1,983.6	2,448.2
	15%	102.8	459.0	788.0	1,151.0	1,548.7	1,980.7	2,445.5
		Total Working Costs						
		-15%	-10%	-5%	0%	5%	10%	15%
Capital Expenditure	-15%	1,294.2	1,252.5	1,210.9	1,169.3	1,127.6	1,086.0	1,044.0
	-10%	1,291.1	1,249.5	1,207.9	1,166.2	1,124.6	1,083.0	1,040.9
	-5%	1,288.1	1,246.5	1,204.8	1,163.2	1,121.5	1,079.9	1,037.8
	0%	1,285.0	1,243.4	1,201.8	1,160.1	1,118.5	1,076.9	1,034.7
	5%	1,282.0	1,240.4	1,198.7	1,157.1	1,115.4	1,073.8	1,031.6
	10%	1,278.9	1,237.3	1,195.7	1,154.0	1,112.4	1,070.7	1,028.5
	15%	1,275.9	1,234.3	1,192.6	1,151.0	1,109.3	1,067.6	1,025.4

18.3.3 Ore Reserve Economic Viability Analysis

An analysis of the ore reserve economic viability analysis ("Ore Reserve EVA") indicates that the Ore Reserves as presented within the current LoMp are uneconomic under the following considerations:

- Break even cash flow: When the copper price, over the life-of the mine, falls below the assumed LoMp weighted average cash costs (excluding capital expenditure) of US\$139/lb; and
- Life of mine valuation: When the copper price over the life of the mine falls below the price at which the NPV of the Kinsevere Mine is break even. This copper price is US\$141/lb at a real terms discount rate of 9.30%.

18.4 Risk and Opportunity Analysis

The principal risk identified in Section 19, is the potential overestimation in recoverable metal due to the presence of black shales as well as the issues around mine production reconciliation. In this instance the worst case scenario is a potential reduction in acid soluble copper of around 10%. The economic impact of this 10% reduction has been assessed by assuming a 10% reduction in the ASCu grade which results in a Chapter 18 Value for Kinsevere Mine of US\$1.00bn.

18.5 Summary Comments

SRK concludes that the Financial Model and the resulting financial analyses for AMCK indicate a relatively robust outcome for determining the Chapter 18 Value, specifically when considering sensitivities to operating and capital expenditures. In respect of sales revenue however the resultant Chapter 18 Values are highly sensitive with 10% step changes resulting in a minimum of 30% reduction in value for downside scenarios.

19 VALUATION REPORT - RISKS AND OPPORTUNITIES

19.1 Introduction

The following section presents a risk and opportunity assessment for Kinsevere Mine and seeks to identify and quantify the impact should such risk or opportunity materialise. In certain instances the analysis is limited to qualitative assessment only and accordingly no direct financial impact can be determined. Details relating to the individual risks and opportunities have been discussed in sub-sections of this CPVR, accordingly only a summary is provided here.

In all likelihood many of the identified risks and/or opportunities will have an impact on the cash flows as presented in Section 18.3.1 of this CPVR. SRK has provided sensitivity tables for simultaneous (twin) parameters, which cover the anticipated range of accuracy in respect of commodity prices, operating expenditures and capital expenditures. SRK is of the view that the general risks and opportunities are, with the aid of the sensitivity tables, adequately covered. Specifically these largely address fluctuations in operating expenditure and commodity prices.

In addition to those identified above, Kinsevere Mine is subject to specific risks and opportunities, which independently may not be classified to have a material impact (that is likely to affect more than 10% of Kinsevere Mine's annual post-tax pre-finance annual operating cash flow), but in combination may do so.

In accordance with Guidance Note 7 of the Listing Rules, SRK has further reviewed the Specific Risks identified below in accordance with likelihood (within a seven year time-frame) and consequence of risk in order to derive an overall risk measure classified as low, medium and high. It is however important to note that the classification of specific risks with an overall risk measure of medium or high does not necessarily constitute a scenario which leads to "project failure". Where appropriate SRK has classified all specific risks with a medium risk or higher as the most material risks to which Kinsevere Mine is subject.

Certain of the specific risks identified comprise either generic risk elements which are adequately addressed by the various twin-parameters sensitivities analysis undertaken or which do not readily lend themselves to quantitative analysis or will only materialise outside the seven year time-frame. The specific risks which fall into such categories are: commodity price risk; foreign exchange and CPI risk; water management risk; occupational health and safety risk; environmental risk; cost of production risk; and economic performance risk.

19.2 Specific Risks

The specific Risks identified at the Kinsevere Mine are:

- **Commodity Price Risk:** These may be influenced, inter alia, by commodity demand-supply balances for copper, fuel (oil price related) and sulphuric acid. In the three-year period from July 2008 to June 2011 copper prices ranged between USc126/lb and USc442/lb resulting in a three-year average of USc283/lb. The LTP assumption as included in the Financial Model is assumed at USc249/lb which can be compared with the USc175/lb assumed for derivation of Ore Reserves. The impact of movements in copper price can be readily assessed the various scenarios included in Section 18.3.2 of this

CPVR. For sulphuric acid the Financial Model assumes a long-term price of US\$430/t which compares with the original assumption of US\$280/t assumed by Anvil;

- **Foreign Exchange and CPI Risk:** CPI for each specific country/currency is impacted by the assumed relationship between exchange rates and the differential in inflation between the respective currencies, i.e. purchase price parity or non-purchase price parity.

However, given the low exposure to non US\$ related expenditures as noted by Anvil, the overall foreign exchange risk is considered immaterial;

- **Lease Agreement Renegotiation Risk:** Anvil has concluded negotiations with Gécamines and the GoDRC on the Lease Agreement and all revised terms were confirmed in January 2009. The salient features of the revised Lease Agreement comprise:

- An increase in the Pas de Porte to US\$20m with US\$5m already paid and US\$10m payable at the completion of the US\$150m financing or within 6 months of signing with the remaining US\$5m payable after 12 months thereafter,
- An increase in the GoDRC lease rent from 2.0% to 2.5% of gross turnover.

On 10 February 2012, AMCK entered into the Clarification Agreement and Amended Lease Agreement with Gécamines. The salient features of these agreements comprise: Anvil will make payments to Gécamines in the amount of US\$55m, including a commercial payment to restructure certain terms of the agreements governing the Kinsevere Mine and the Mutoshi Project and a pre-payment of royalties on normal commercial terms; Anvil will also pay a tonnage based cash payment for new copper “reserves” discovered at the Kinsevere Mine; and a confirmation that Anvil’s title to the Kinsevere Mine is valid and in good standing and that all claims and historic allegations of breach are cured.

Notwithstanding the above, there remains a risk that further re-negotiation may occur which include revisions to the current terms.

- **Mineral Resource estimation risk:** The 2011 Statements (SRK Depleted) are derived from depletion of the 2010 Statements (Anvil) do not include the potential negative impact arising from the presence of Black Shales and the reconciliation exercises:

- a potential reduction in acid soluble copper content of 4.0% due to the presence of black shales, and
- a potential reduction in acid soluble copper content of 8% in accordance with the results of the reconciliation studies completed to date.

In the worst case scenario, SRK notes that the metal content could be reduced by up to 10%.

The current Mineral Resource declaration is reliant upon the application of an ISCOG of 0.5%TCu to an unconstrained block model. Accordingly there is a risk that this includes a portion which is not economically mineable by open-pit methods. Consideration of a further optimisation analysis based would quantify the impact of this risk;

- **Ore Reserve estimation risk:** Because of the differences in operating expenditure between the optimisation studies and the current LoMp, SRK considers that a re-

optimisation is warranted. The impact of this work, assuming the same copper price of US\$175/lb, is likely to result in a reduction in Ore Reserves of around 15%;

- **Mining Risk:** The principal mining risks relate to the efficiency of the pit de-watering programme, geotechnical considerations and the assumptions regarding the current mining contract:
 - recent **hydrogeological** investigations indicate that the de-watering rate may need to be further increased from the current assumption of 600l/s to 1,000l/s compared with that initially (250l/s) considered in the 2007 Feasibility Study. In this instance operating expenditures may increase from the currently assumed US\$2.20m per annum to US\$3.67m per annum, the impact of which is less than 1% of total operating expenditures,
 - recent **geotechnical** investigations identified potential instability in the south-west of the pit, extending from the crest of the toe over a length of around 100m. The potential failure volume is large and failed material would cover the current working area in the south-west pit floor. Prism monitoring and additional safety procedures are required in this area, together with additional groundwater monitoring and run-off controls,
 - the mining contract is only valid until July 2012, and the forecast expenditures do not include any demobilisation costs and assume that the MCK Trucks contract will continue. Should this not be the case, there remains a risk that additional expenditures in respect of demobilisation of MCK Trucks and mobilisation of an alternative will be necessary. In this instance the addition costs incurred during H2 2012 may be of the order of US\$200k for demobilisation and US\$300k for remobilisation, with a further US\$200k for demobilisation on cessation of mining operations in 2020;
- **Water Management Risk:** The principal risks relate to the continuing uncertainty of de-watering requirements to maintain dry mining conditions when reaching the final pushbacks at the various pits. Furthermore, the impact of the dewatering on the broader regional context has not yet been updated for the revised abstraction rates. The economic impact of additional mining expenditure is likely to be minimal, however this issue requires careful management both in respect of ensuring timely dry mining conditions to attain production targets and managing the impact of regional dewatering and discharge into the Kifumashi River;
- **Metallurgical Processing Risk:** The key metallurgical processing risk remains with the planned MIR/DTD processing option. In the event that this does not demonstrate to be a long term sustainable option the financial impact of the risk is best assessed assuming a 6-month cessation of the Stage 2 SX-EW Plant processing and additional capital expenditure of some US\$20m with accompanying increased operating expenditures of approximately US\$9.00/t. Notwithstanding this, Anvil is considering the procurement of a stainless steel mill at a total cost of US\$5.0m which may provide a more viable option in the event that this is required;
- **EPCM Contract Risk:** Ausenco has submitted a claim for extension of time caused by late delivery of owner supplied plant and equipment. Counter claims from Anvil include

delay damages, back-charges and credits for works not completed. Although the total value of these claims has not yet been finalised, Anvil has informed SRK that it doesn't expect the settlement, if any, to be material in relation to the Chapter 18 Valuation. As a result this has not been factored in to the Chapter 18 Valuation;

- **Occupational Health and Safety Risks** are adequately addressed with the exception of a specific HIV/AIDS policy which SRK considers as requiring further development and resourcing. Based on AMCK's in-country experience and drawing from examples in Sub-Saharan Africa this could be easily resolved from the pro-active input from the AMCK, the labour force and the local population;
- **Environmental Risks** are largely related to water management issues specifically in respect of: surface water pollution; adverse impacts on land use downstream of the discharge point to the Kifumashi River; and decreases in groundwater availability to the surrounding region because of mine dewatering.

Other environmental risks largely relate to certain deficiencies of environmental documentation when benchmarked against international environmental standards, specifically those typically considered by international institutions for securing debt finance. Areas of environmental documentation that could be improved include: development of a more detailed closure plan to inter alia include post-closure land objectives, enhancement of the baseline hydrological characterisation of the Kifumashi River and potential impact of dewatering/discharge; and development of a stakeholder engagement plan and management systems to include commitments for on-going consultation with the local communities;

- **Cost of Production Risk** is largely addressed in the Benchmarking Analysis as reported in Section 16 where Kinsevere Mine at some USc142/lb (USc342/lb copper price) reports in the fourth quartile of total copper industry production. At the CMF copper price profile with a long term price of USc249/lb this reduces to USc132/lb; and
- **Economic Performance Risk** is largely addressed by the combination of the assessment economic performance criteria and the accompanying sensitivity tables as included in Section 18.3.2 of this CPVR.

19.2.1 Risk Assessment Methodology

In accordance with Guidance Note 7 of the Listing Rules, SRK has completed a risk assessment in respect of the Kinsevere Mine which largely draws upon the issues highlighted in Section 19.2. SRK notes that such assessments are necessarily subjective and qualitative, however where quantification is possible the consequence rating has been classified from minor to major:

- **Major Risk:** the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure;
- **Moderate Risk:** the factor, if uncorrected, could have a significant effect (10% to 15% or 20%) on the project cash flow and performance unless mitigated by some corrective action; and

- **Minor Risk:** the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

The likelihood of any specific risk materialising has also been assessed and specifically a 7-year time-frame (as defined in the Listing Rules) has been adopted:

- Likely: will probably occur;
- Possible: may occur; and
- Unlikely: unlikely to occur.

The degree or consequence of a risk and its likelihood has been combined into an overall risk assessment the matrix for which is presented in Table 19-1 below.

Table 19-1: Overall Risk Assessment Matrix

Likelihood of Risk	Consequence of Risk		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

19.2.2 Specific Risk Assessment

Table 19-2 presents the results of the specific risk assessment as considered applicable to Kinsevere Mine. On this basis three key specific risks have been classified with an overall risk of medium and thereby material in the overall specific risks identified in Section 21.4 of this CPVR.

Table 19-2: Kinsevere Mine Risk Assessment before mitigation

Hazard Risk	Likelihood	Consequence Rating	Overall Risk
Lease Agreement Renegotiation Risk			
Revision to the current financial terms	Possible	Minor	Low
Mineral Resource Risk			
Reduced ASCu content – impact of Black Shale	Likely	Minor	Medium
Reduced ASCu content – impact of negative reconciliation adjustment	Likely	Minor	Medium
Ore Reserve Risk			
Reduced Ore Reserves – impact of higher cost base	Possible	Minor	Low
Mining Risk			
Impact of increased dewatering requirements	Likely	Minor	Medium
Impact of continued geotechnical instability	Possible	Minor	Low
Metallurgical Processing			
Failure of MIR Technology	Possible	Moderate	Medium
EPCM Contract Risk			
Impact of outstanding financial claims	Possible	Minor	Low

19.3 Opportunities

The principal opportunities with respect to the Kinsevere Mine are largely constrained to:

- **Mineral Resource** potential increases through completion of successful exploration drilling at the Kinsevere Mine and the broader region;
- **Ore Reserve** potential increase through:
 - completion of further exploration drilling and completion of technical studies which demonstrate that the mining and processing of sulphide ore is both technically feasible and economically viable,
 - Upgrading of currently Inferred Mineral Resources and unclassified Mineral Resources contained within the pit designs as incorporated in the current LoMp,

- Demonstrating that processing of contained cobalt is technically feasible and economically viable;
- **Plant Throughput** improvement through consideration for implementation of an expansion beyond 60ktpa Expansion Project following completion of further technical studies which demonstrate that simultaneous processing of higher grade ore and lower grade ore through a new Heap Leach Facility and an expanded SX-EW Plant is both technically feasible and economically viable; and
- **Waste Dump Redesign** following re-optimisation of waste schedules and integration with the TSF staged expansions.

19.4 Summary Comments, Risks and Opportunities

The risk and opportunity assessment undertaken for the Kinsevere Mine and specifically the current LoMp and accompanying Ore Reserves indicates that there are limited opportunities other than substantially increasing the current sulphide Mineral Resource. The principal risks which require further technical analysis to mitigate their negative impacts are as follows:

- Hydrogeological investigations to assess the long-term dewatering and discharge requirements and careful day-to-day management to ensure that dry mining conditions are maintained;
- Geotechnical monitoring in conjunction with adequate dewatering will ensure safe working conditions. This requires specific focus on potential instability in the south-west of the Tshifufia pit;
- Potential reduction (-10%) in recoverable metal due to:
 - the presence of black Shales assuming the “*untreatable*” portions are uneconomic to process and the “*treatable*” portions have lower recoveries, higher acid consumption and consequently higher unit operating expenditures,
 - the results of recent reconciliation studies specifically between the MR Model, GC Model and mining production;
- Potential failure of the current MIR technology, resulting in the installation of either a stainless steel mill or reverting to alternative standard processing technology. Specifically, this risk refers to lost production on the change-over period and subsequent increases in operating expenditures (+US\$9.00/t) and/or additional capital expenditure requirements (+US\$5.00m for the stainless steel shell; +US\$20m for reverting to conventional processing technology);
- Potential increases in operating expenditures, due to:
 - demobilisation/mobilisation costs associated with a change in the mining contractor (+US\$0.70m),
 - settlement of the Ausenco contract claim in full without successful amelioration through consideration of the counter claims.

20 VALUATION REPORT – CHAPTER 18 VALUE

20.1 Introduction

The following section presents the results of the Chapter 18 Value for Kinsevere Mine as at the Effective Date.

20.2 Fair Market Value

Table 20-1 gives the Chapter 18 Value for Kinsevere Mine at the Effective Date which is derived from the NPV of the post-tax pre-finance cash flows for the Kinsevere Mine as determined at a discount factor of 9.30% on a real terms basis.

The Chapter 18 Value for Kinsevere Mine is estimated at US\$1.16bn. Based on the 2011 Statements (SRK Depleted) for Ore Reserves and Mineral Resources this provides a valuation of US\$56/lb and US\$30/lb of copper equivalent contained metal respectively.

Table 20-2 provides the Chapter 18 Value for 100% for Kinsevere Mine and the value attributable to Anvil's 95% indirect interest in Kinsevere Mine at a range of discount rates. In the base case at a discount factor of 9.30% on a real terms basis the Chapter 18 Value for Anvil's 95% indirect interest in Kinsevere Mine is US\$1.10bn.

Table 20-1: Chapter 18 Value for Kinsevere Mine (100%)

Valuation Component	Units	Valuation
Kinsevere Mine	(US\$m)	1,160.1
Exploration Assets	(US\$m)	-
Chapter 18 Value (100% Kinsevere Mine)	(US\$m)	1,160.1
Ore Reserves contained total copper	(MlbTCu)	2,064
Mineral Resources contained total copper	(MlbTCu)	3,882
Chapter 18 Value per Ore Reserve Unit	(US\$/lb)	56
Chapter 18 Value per Mineral Resource Unit	(US\$/lb)	30

Table 20-2: Chapter 18 Value and attributable Chapter 18 Value at various discount rates

Discount Rate	Chapter 18 Value (100%) (US\$m)	Chapter 18 Value (95%) (US\$m)
0.00%	1,648.9	1,566.5
5.00%	1,351.8	1,284.2
8.00%	1,213.0	1,152.3
9.00%	1,172.0	1,113.4
9.30%	1,160.1	1,102.1
10.00%	1,133.3	1,076.6
12.00%	1,062.2	1,009.1
15.00%	969.4	920.9
18.00%	890.3	845.7

Table 20-3 and Table 20-4 give the Chapter 18 Value for Kinsevere Mine (100%) expressed per unit of contained copper reporting to the 2011 Ore Reserves and to the 2011 Mineral Resources respectively.

Table 20-3: Chapter 18 Value for Kinsevere Mine (100%) expressed per unit of contained copper reporting to the 2011 Ore Reserves (USc/lb contained Cu)

		Sales Revenue						
		-30%	-20%	-10%	0%	10%	20%	30%
Total Working Costs	-15%	14	29	45	62	81	102	125
	-10%	11	27	43	60	79	100	123
	-5%	8	25	41	58	77	98	121
	0%	6	23	39	56	75	96	119
	5%	3	21	37	54	73	94	117
	10%	0	19	35	52	71	92	115
	15%	(3)	16	32	50	69	90	113
		Sales Revenue						
		-30%	-20%	-10%	0%	10%	20%	30%
Capital Expenditure	-15%	6	23	39	57	76	97	119
	-10%	6	23	39	56	76	97	119
	-5%	6	23	39	56	76	97	119
	0%	6	23	39	56	75	96	119
	5%	5	23	38	56	75	96	119
	10%	5	22	38	56	75	96	119
	15%	5	22	38	56	75	96	118
		Total Working Costs						
		-15%	-10%	-5%	0%	5%	10%	15%
Capital Expenditure	-15%	63	61	59	57	55	53	51
	-10%	63	61	59	56	54	52	50
	-5%	62	60	58	56	54	52	50
	0%	62	60	58	56	54	52	50
	5%	62	60	58	56	54	52	50
	10%	62	60	58	56	54	52	50
	15%	62	60	58	56	54	52	50

Table 20-4: Chapter 18 Value for Kinsevere Mine (100%) expressed per unit of contained copper reporting to the 2011 Mineral Resources (USc/lb contained Cu)

		Sales Revenue						
		-30%	-20%	-10%	0%	10%	20%	30%
Total Working Costs	-15%	7	15	24	33	43	54	66
	-10%	6	14	23	32	42	53	65
	-5%	4	13	22	31	41	52	64
	0%	3	12	21	30	40	51	63
	5%	1	11	19	29	39	50	62
	10%	0	10	18	28	38	49	61
	15%	(1)	9	17	27	37	48	60
		Sales Revenue						
		-30%	-20%	-10%	0%	10%	20%	30%
Capital Expenditure	-15%	3	12	21	30	40	51	63
	-10%	3	12	21	30	40	51	63
	-5%	3	12	21	30	40	51	63
	0%	3	12	21	30	40	51	63
	5%	3	12	20	30	40	51	63
	10%	3	12	20	30	40	51	63
	15%	3	12	20	30	40	51	63
		Total Working Costs						
		-15%	-10%	-5%	0%	5%	10%	15%
Capital Expenditure	-15%	33	32	31	30	29	28	27
	-10%	33	32	31	30	29	28	27
	-5%	33	32	31	30	29	28	27
	0%	33	32	31	30	29	28	27
	5%	33	32	31	30	29	28	27
	10%	33	32	31	30	29	28	26
	15%	33	32	31	30	29	28	26

20.3 Comparable Transaction Analysis

20.3.1 ©Metals Economics Group Dataset

Table 20-5 presents a statistical summary of the results of historical comparable transaction analyses undertaken from the ©Metals Economics Group (“MEG”) based metals acquisition database (during October 2011) for the following population databases:

- African copper project transactions (9) limited to producing assets;
- Global copper project transactions (21) limited to transactions from 2008 through 2011 for producing assets;

APPENDIX IV COMPETENT PERSON’S REPORT AND VALUATION REPORT

- Global copper project transactions (78) limited to all producing assets (1995 through 2011 inclusive);
- Global copper project transactions (164) limited to non-producing assets (1995 through 2011 inclusive); and
- Global copper project transactions (242) with no exclusions (1995 through 2011 inclusive).

All transaction metrics as presented are based on the consideration paid and the share capital cost divided by the total attributable ‘resource’ (inclusive of reserves) of contained metal transacted, hereinafter referred to as comparable metric 1 (“**CM1**”) expressed in USc/lb of copper equivalent contained metal.

The secondary metric presented is based on the CM1 divided by the copper price prevailing at the time of the transaction, hereinafter referred to as comparable metric 2 (“**CM2**”) expressed in %.

Table 20-6 presents a summary of all copper project transactions (2008 through 2011 inclusive) for global producing assets.

Figure 20-1 presents CM1 against contained copper acquired for global copper project transactions (21) limited to transactions from 2008 through 2011 for producing assets. Figure 20-2 presents CM2 against contained copper acquired for global copper project transactions (21) limited to transactions from 2008 through 2011 for producing assets. Figure 20-3 presents CM1 against contained copper acquired for all global copper project transactions (78) for producing assets (1995 through 2011 inclusive). Figure 20-4 presents CM2 against contained copper acquired for all global copper project transactions (78) for producing assets (1995 through 2011 inclusive).

Table 20-5: Comparable Transactions – population analysis for CM1 (USc per lb of copper equivalent contained metal) Copyright ©Metals Economics Group, 2011

Population	Units	Q1	Q2	Q3	Mean	W. Mean	Median
Ore Reserves Metric							
African - Producing	(USc/lbCuEq)	4	13	24	15	8	13
Global - Producing 2008-2011	(USc/lbCuEq)	25	30	38	35	30	30
Global - Producing	(USc/lbCuEq)	4	10	28	19	14	10
Global - Non producing	(USc/lbCuEq)	2	7	22	22	9	7
All Transactions	(USc/lbCuEq)	3	8	27	21	10	8
Mineral Resource Metric							
African - Producing	(USc/lbCuEq)	3	5	10	9	5	5
Global - Producing 2008-2011	(USc/lbCuEq)	5	16	20	17	11	16
Global - Producing	(USc/lbCuEq)	3	5	13	10	7	5
Global - Non producing	(USc/lbCuEq)	1	2	6	8	4	2
All Transactions	(USc/lbCuEq)	1	3	9	9	5	3

Table 20-6: Recent copper project transactions (2008 to 2011 producing assets): Copyright ©Metals Economics Group, 2011

Project	Transaction Date	Copper Price		Location	Status	Equity (%)	Acquisition Price (US\$m)	Tonnage (Mt)	Grade (%TCuEq)	Acquired (MlbCuEq)	Metric	
		Spot	MEG								CM1 (US\$/lbCuEq)	CM2 (P%CV(CuEq))
		Bisha	2011 Q3								402	300
Las Cruces	2010 Q4	377	230	Spain	PRD	30%	552	16.8	6.28	696	79	34%
Dapingzhang	2010 Q4	378	230	China	PRD	40%	63	33.8	0.81	321	20	9%
Batu Hijau	2010 Q4	367	230	Indonesia	PRD	7%	247	1,045.9	0.39	901	27	12%
Jia Ma ⁽¹⁾	2010 Q3	331	230	China	PRD	100%	742	456.8	0.73	20,314	4	2%
Oracle Ridge ⁽¹⁾	2010 Q3	332	230	United States	PRD	100%	17	22.4	2.33	1,153	1	1%
Escondida	2010 Q2	359	230	Chile	PRD	3%	534	8,807.0	0.64	3,087	17	8%
Guelb Moghrein	2010 Q1	355	230	Mauritania	PRD	20%	63	30.8	1.25	239	26	11%
Lady Annie	2010 Q1	339	230	Australia	PRD	100%	124	39.8	0.84	741	17	7%
Dikulushi	2010 Q1	321	230	DRC	PRD	90%	11	2.2	4.30	224	5	2%
Oracle Ridge ⁽¹⁾	2010 Q1	320	230	United States	PRD	100%	12	22.4	2.33	1,153	1	0%
Gibraltar	2009 Q4	309	150	Canada	PRD	25%	180	869.7	0.30	1,687	11	7%
Batu Hijau	2009 Q4	315	150	Indonesia	PRD	14%	494	1,045.9	0.39	1,813	27	18%
Ok Tedi	2009 Q2	228	150	Papua New Guinea	PRD	18%	335	697.0	0.59	2,824	12	8%
Escondida ⁽¹⁾	2009 Q1	152	150	Chile	PRD	15%	3,388	9,652.1	0.68	21,549	16	10%
Condestable	2008 Q3	347	200	Peru	PRD	8%	11	22.6	1.51	61	19	9%
Derry	2008 Q3	332	200	China	PRD	40%	126	42.5	1.27	798	16	8%
Macocozac	2008 Q2	392	200	Mexico	PRD	100%	70	95.0	0.81	2,273	3	2%
Konkola ⁽¹⁾	2008 Q1	348	200	Zambia	PRD	28%	214	207.8	3.38	4,403	5	2%
Cerro Negro ⁽¹⁾	2008 Q1	348	200	Chile	PRD	100%	40	9.9	1.30	284	14	7%
Luchun Da Ma Jian Mountain	2008 Q1	325	200	China	PRD	90%	83	25.6	1.00	693	12	6%

⁽¹⁾ Certain of the copper project transactions highlighted in Table 20-6 comprise transactions which include: exercising of option agreements; purchase from a major shareholder; acquisition of a past producer; and terminated acquisitions which have not actually been transacted. These total six out of the total 21 producer transactions which if excluded would marginally increase the CM1 and CM2 values as reported for the global producing 2008-2011 assets as noted in Table 20-5.

Figure 20-1: CM1: Global copper project transactions (21) limited to transactions from 2008 through 2011 for producing assets (Source Base Metals Acquisitions Service, Copyright ©Metals Economics Group, 2011)

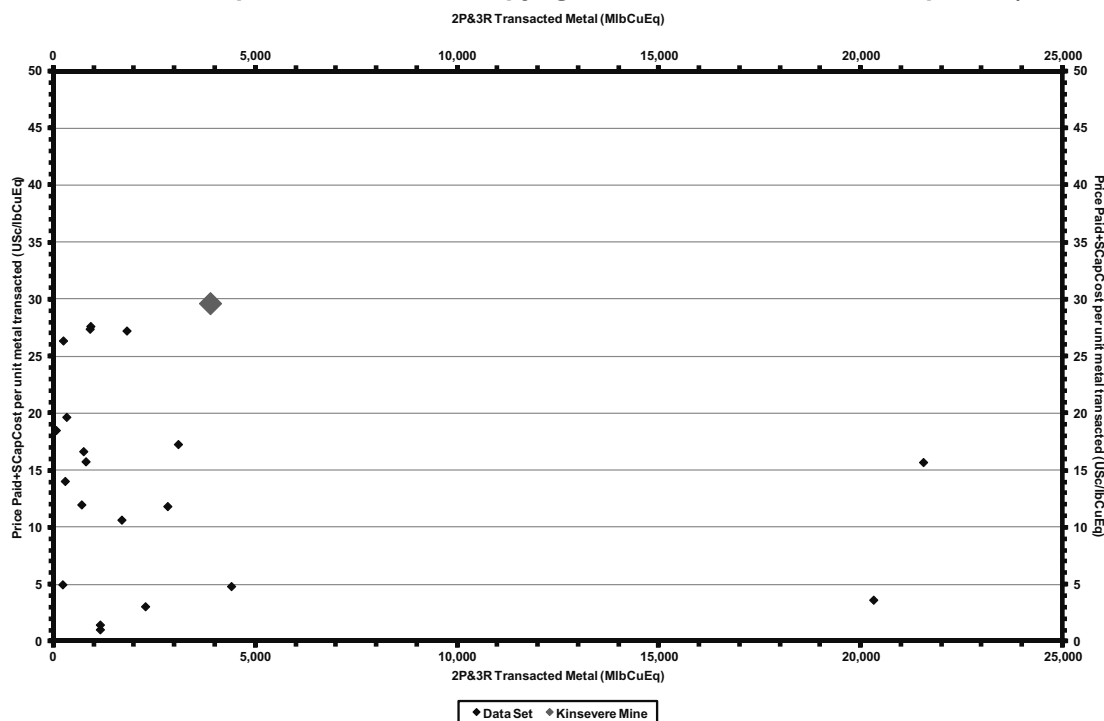


Figure 20-2: CM2: Global copper project transactions (21) limited to transactions from 2008 through 2011 for producing assets (Source Base Metals Acquisitions Service, Copyright ©Metals Economics Group, 2011)

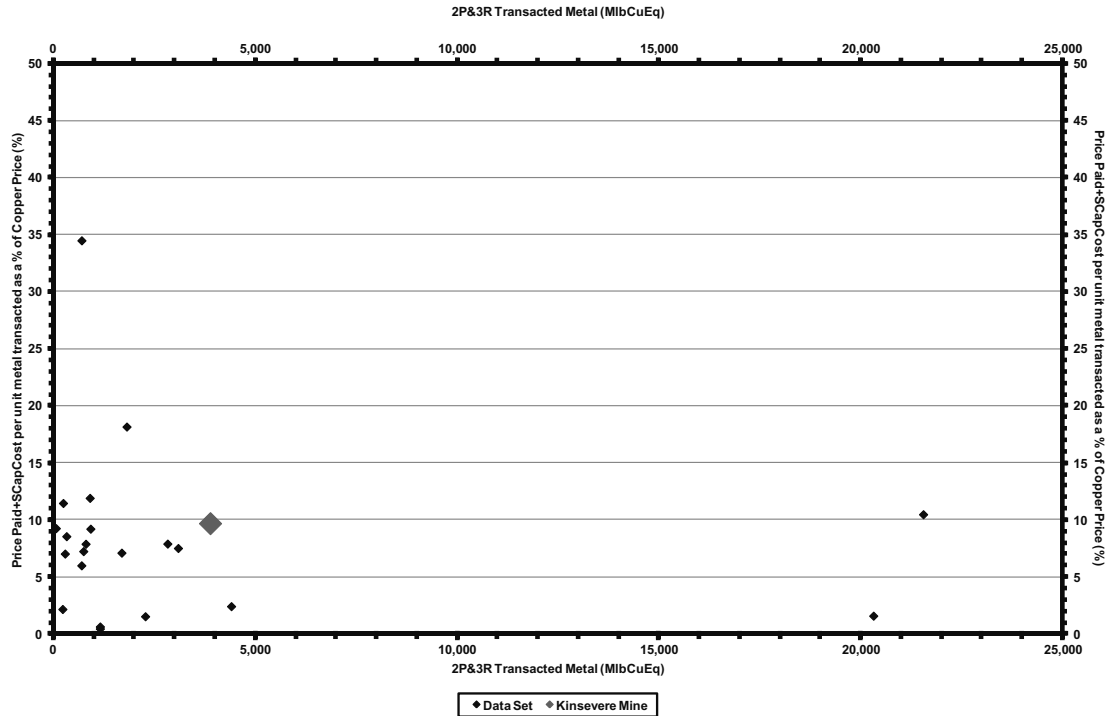


Figure 20-3: CM1: Global copper project transactions (78) limited to all producing assets (1995 through 2011 inclusive) (Source Base Metals Acquisitions Service, Copyright ©Metals Economics Group, 2011)

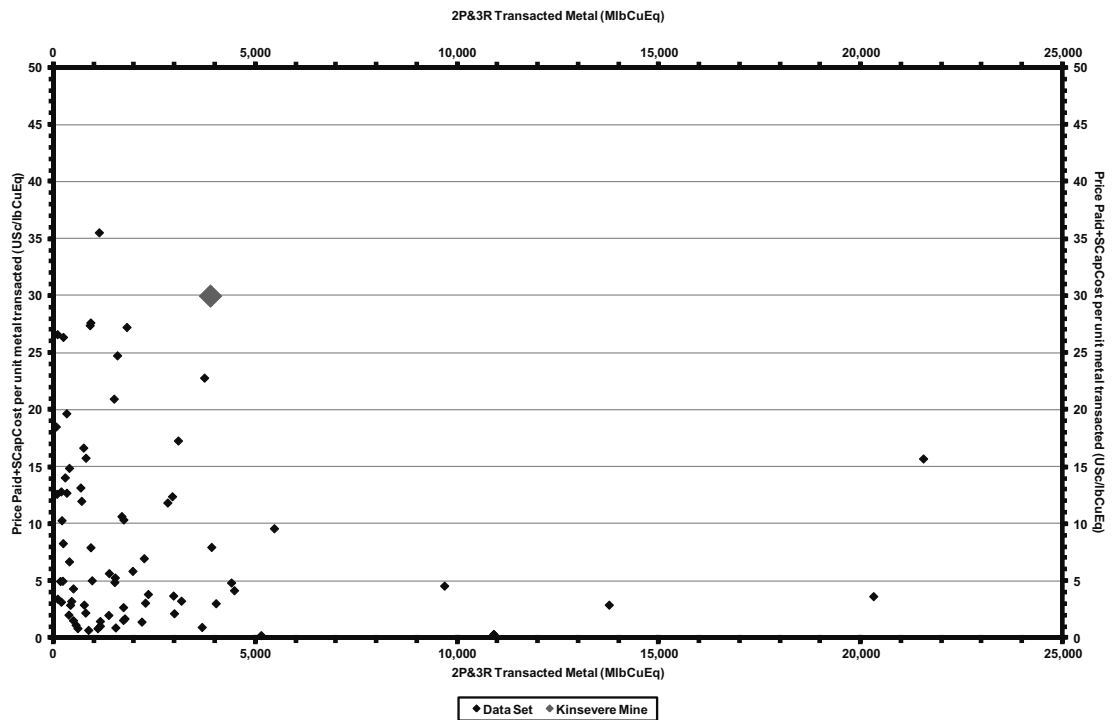
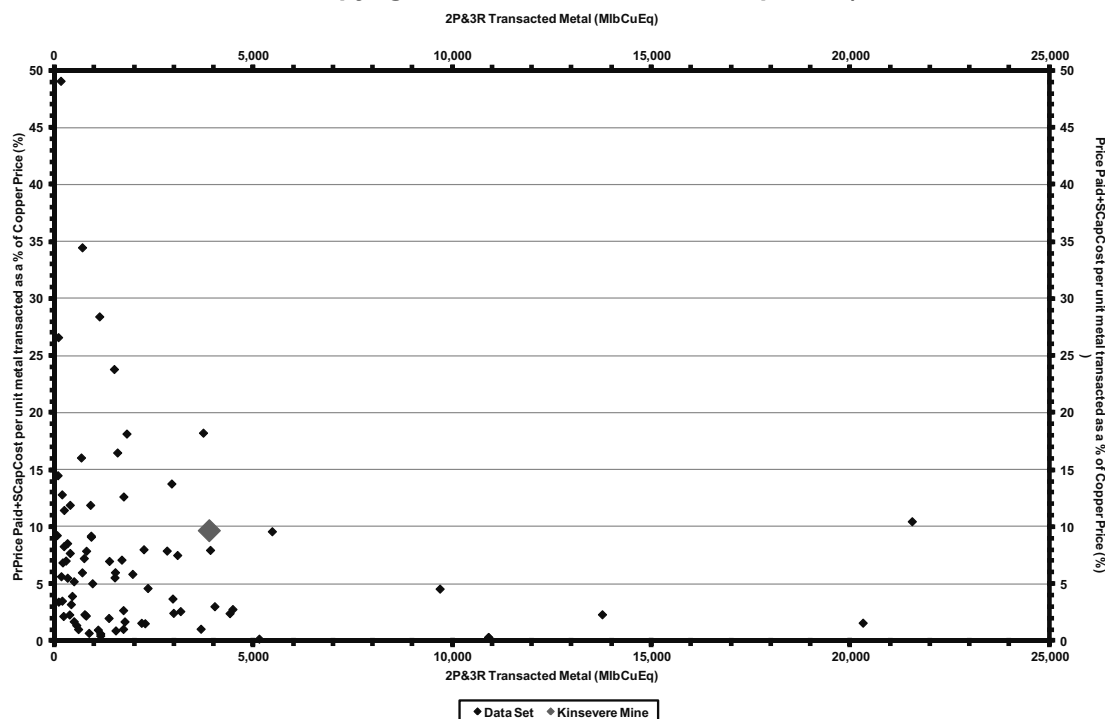


Figure 20-4: CM2: Global copper project transactions (78) limited to all producing assets (1995 through 2011 inclusive) (Source Base Metals Acquisitions Service, Copyright ©Metals Economics Group, 2011)



20.3.2 Comparable Transaction analysis

The equivalent valuation metrics for Kinsevere Mine, CM1 and CM2 are estimated at US\$30/lb of copper equivalent metal and 10.0% respectively. CM2 is determined based on consideration of the MEG copper price of US\$300/lb. When compared with other global copper transactions this indicates values which appear in the uppermost range of recent transactions. The comparative position of CM1 and CM2 may in part be explained by the relatively higher grade of the Kinsevere Mine and in addition the relatively low future capital expenditure requirements.

21 CONCLUDING REMARKS

21.1 Introduction

The following section includes a summary of SRK's opinion in respect of the Kinsevere Mine specifically referring to the 2011 Statements (SRK Depleted) and the Chapter 18 Value for Kinsevere Mine. SRK has conducted a comprehensive review and assessment of all material issues likely to influence the future operations of the Kinsevere Mine.

21.2 Mineral Resources and Ore Reserves

The Kinsevere Mine's 2011 Statements (SRK Depleted) reported as at 1 October 2011 are summarised in Table 21-1 and Table 21-2 respectively. Mineral Resources of approximately 57.03Mt grading 3.06%TCu and 1.95%ASCu are reported at an ISCOG of 0.5%TCu and Ore

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Reserves of approximately 25.54Mt grading 3.67%TCu and 3.00%ASCu are reported at an assumed long term copper price of US\$175/lb.

Table 21-3 provides the Ore Reserve (excluding stockpiles) sensitivities for copper prices ranging from US\$143/lb through US\$300/lb inclusive.

SRK concludes that the Mineral Resources and Ore Reserves as stated herein are reported in accordance with the terms and definitions of the JORC Code. Mineral Resources are reported on an inclusive basis of Ore Reserves, and all Mineral Resources and Ore Reserves do not reflect the 5% component which is not attributable to Anvil.

Table 21-1: Kinsevere Mine: Mineral Resource 2011 Statement (SRK Depleted), 1 October 2011

Mineral Resources	Tonnage (kt)	Grades (%TCu)	(%ASCu)	(%Co)	Content (ktTCu)	(ktASCu)	(ktCo)
Measured							
Oxide	14,428	4.17%	3.27%	0.23%	602	472	33
Sulphide	2,308	2.36%	1.11%	0.15%	55	26	3
Subtotal	16,736	3.92%	2.98%	0.22%	657	498	37
Indicated							
Oxide	13,335	2.94%	2.36%	0.09%	392	314	12
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphide	9,555	2.75%	1.08%	0.14%	263	103	14
Subtotal	27,403	2.74%	1.84%	0.09%	752	504	26
Measured+Indicated							
Oxide	27,764	3.58%	2.83%	0.16%	995	787	45
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphide	11,862	2.68%	1.09%	0.14%	317	129	17
Total	44,139	3.19%	2.27%	0.14%	1,409	1,002	62
Inferred							
Oxide	1,103	2.22%	1.54%	0.13%	24	17	1
Sulphide	12,215	2.68%	0.83%	0.13%	327	101	16
Subtotal	13,317	2.64%	0.89%	0.13%	352	118	18
Mineral Resources							
Oxide	28,866	3.53%	2.78%	0.16%	1,019	804	47
Stockpiles	4,513	2.14%	1.90%	-	97	86	-
Sulphide	24,077	2.68%	0.96%	0.14%	645	230	33
Total	57,456	3.06%	1.95%	0.14%	1,761	1,120	80

Table 21-2: Kinsevere Mine: Ore Reserve 2011 Statement (SRK Depleted), 1 October 2011

Ore Reserves	Tonnage (kt)	Grades (%TCu)	(%ASCu)	Content (ktTCu)	(ktASCu)
Proved	13,633	4.28%	3.40%	583	464
Probable	11,902	2.97%	2.54%	353	302
Total	25,536	3.67%	3.00%	936	766

Table 21-3: Kinsevere Mine: Ore Reserve (excluding stockpiles) Sensitivity, 1 October 2011⁽¹⁾

Ore Reserves	Units	Copper Price					
		143 (USc/lb)	175 (USc/lb)	225 (USc/lb)	250 (USc/lb)	275 (USc/lb)	300 (USc/lb)
Revenue Factor ("RF")		0.72	0.82	1.00	1.10	1.10	1.10
Corresponding Price for RF	(USc/lb)	102	143	225	275	303	330
Tonnage	(kt)	17,622	21,022	24,241	25,754	25,996	26,180
Grade	(%TCu)	4.35%	3.99%	3.70%	3.58%	3.55%	3.53%
Grade	(%ASCu)	3.56%	3.24%	2.96%	2.86%	2.84%	2.82%
Content	(ktTCu)	766	840	896	922	924	925
Content	(ktASCu)	627	680	718	736	737	738
Waste	(kt)	23,836	31,846	39,355	46,267	45,988	46,173
Stripping Ratio	(twaste:tore)	1.35	1.51	1.62	1.80	1.77	1.76

⁽¹⁾ The Ore Reserve Sensitivities reported above do not include the stockpiles reported in the 2011 Statements (SRK Depleted).

21.3 Chapter 18 Value

The Chapter 18 Value for Kinsevere Mine (100% basis) is estimated at US\$1.16bn (Table 21-4). The Chapter 18 Value is equal to the NPV for Kinsevere Mine determined from a DCF method applied at a discount rate of 9.30% on a real terms basis. The Chapter 18 Value attributable to Anvil's 95% indirect interest in Kinsevere Mine is US\$1.09bn.

The resultant Chapter 18 Value for Kinsevere Mine per unit of metal contained in the Mineral Resources is USc30/lb of copper equivalent contained metal (CM1) and expressed as a percentage of assumed copper price (USc300/lb: MEG) results in a value of 10.0% (CM2). When compared with other global copper transactions this indicates values which appear in the uppermost range of recent transactions. The comparative position of CM1 and CM2 may in part be explained by the relatively higher grade of the Kinsevere Mine and in addition the relatively low future capital expenditure requirements.

Table 21-4: Chapter 18 Value for Kinsevere Mine

Valuation Component	Units	Valuation
Kinsevere Mine	(US\$m)	1,160.1
Exploration Assets	(US\$m)	-
Chapter 18 Value (100% Kinsevere Mine)	(US\$m)	1,160.1
Ore Reserves contained total copper	(MlbTCu)	2,064
Mineral Resources contained total copper	(MlbTCu)	3,882
Chapter 18 Value per Ore Reserve Unit	(USc/lb)	56
Chapter 18 Value per Mineral Resource Unit	(USc/lb)	30

21.4 Principal issues

The principal technical issues which impact both the 2011 Statements (SRK Depleted) and the Chapter 18 Value are summarised in Section 19.2 of this CPVR and comprise both risks and opportunities.

Specific Risks

- Potential failure of the epoxy lined shell resulting in the installation of a stainless steel shell or, in the event of failure of the MIR technology, reverting to alternative standard processing technology. Specifically, this may cause lost production over the change-over period (3 months) and subsequent increases in operating expenditures (US\$9.00/t_{milled}) and/or additional capital expenditure requirements (US\$20.0m);
- Potential reduction (-10%) in recoverable metal due to the presence of Black Shales and the results of recent reconciliation studies; and
- Potential for increased dewatering requirements to ensure dry mining conditions which are necessary to maintain the assumed pit slope angles.

Specific Opportunities

- Potential exploitation of the defined sulphide mineralisation. To date no technical studies have been completed which demonstrate to a minimum of pre-feasibility study level on a multi-disciplinary basis, that processing of the sulphide mineralisation is both technically feasible and economically viable; and
- Potential expansion of the current Stage 2 SX-EW Plant capacity of 90ktpa of copper cathode as well as simultaneous processing of lower grade material (stockpiled or to be mined) via heap leach process technology.

For and on behalf of SRK Consulting (UK) Limited

Dr Iestyn Humphreys,
Managing Director,
SRK Consulting (UK) Limited

Dr John Arthur,
Corporate Consultant,
SRK Consulting (UK) Limited

Glossary – Mineral Resources and Ore Reserves

Ore Reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Proved Ore Reserves	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.
Probable Ore Reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Measured Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
Indicated Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and

testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource

That part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Glossary - Units

'000m ³	a thousand cubic metres
A/m ₂	Ampere per square metre
ASCu	Acid soluble copper
bn	billion
BnkWh	a billion thousand watt hours
°C	degree Celsius
C\$	Canadian dollars
cm	a centimetre
h	a hour
kBCM	a thousand bench cubic metres
kg	a kilogramme
km ²	square kilometre
km	a kilometre
kg/t	a kilogramme per metric tonne
ktASCu	a thousand metric tonnes of acid soluble copper
kt	a thousand metric tonnes
ktpa	a thousand metric tonnes per annum
ktTCu	a thousand metric tonnes of total copper
kV	a thousand volts
kWh	a thousand watt hours
l	a litre
l/s	a litre per second
mm	a millimetre
m	a metre
m ³	a cubic metre
Ma	mega annum or one million years
MBCM	a million bench cubic metres
mbls	a million barrels
Mcts	a million carats
mm	millimetre
MHz	a million hertz

MPa	a mega pascal
Mt	a million metric tonnes
MW	a million watts
pa	per annum
ppm	parts per million
TCu	Total copper
t/m ³	tonnes per cubic metre
t _{waste} :t _{ore}	tonnes of waste to tonnes of ore
USc	United States cents
USC/kWh	United States cents per thousand Watt hours
USc/lb	United States cents per pound
USc/lbCu	United States cents per pound of copper
USc/lbCu _{sales}	United States cents per pound of copper sold
US\$	United States dollars
US\$bn	a billion United States dollars
US\$/BCM	United States dollars per bench cubic metre
US\$/BCM _{mined}	United States dollars per bench cubic metre
US\$k	a thousand United States dollars
US\$m	a million United States dollars
US\$mpa	a million United States dollars per annum
US\$/oz	United States Dollars per ounce
US\$/t	United States dollars per metric tonne
US\$/tCu	United States dollars per tonne of copper
US\$/tCu _{produced}	United States dollars per tonne of copper produced
US\$/tCu _{sales}	United States dollars per tonne of copper sold
US\$/t _{acid}	United States dollars per metric tonne of acid
US\$/t _{mined}	United States dollars per metric tonne mined
US\$/t _{processed}	United States dollars per metric tonne processed
°	a degree
%	percentage
%ASCu	percentage of acid soluble copper
%TCu	percentage of total copper
µm	a micro metre

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2 DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Company Shares, underlying Shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the Company Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long position in Company Shares

Name of Director	Nature of interest	Number of Company Shares held	Approximate percentage of total number of issued Company Shares as at the Latest Practicable Date (Note)
Andrew Gordon Michelmore	Personal	162,000	0.003%

Note: The calculation is based on the number of shares as a percentage of the total number of issued Shares (i.e. 5,289,607,889 Shares) as at the Latest Practicable Date.

Long position in the underlying Company Shares

Name of Director	Nature of interest	Number of underlying Company Shares held <i>(Note 1)</i>	Approximate percentage of total number of issued Company Shares as at the Latest Practicable Date <i>(Note 2)</i>
Hao Chuanfu	Personal	1,600,000	0.030%
Li Liangang	Personal	1,100,000	0.021%
Jiao Jian	Personal	1,200,000	0.023%
Xu Jiqing	Personal	1,000,000	0.019%

Notes:

1. The Directors' interests in the underlying Company Shares are through share options granted by the Company pursuant to the share option scheme adopted by the Company on 28 May 2004.
2. The calculation is based on the number of underlying Company Shares as a percentage of the total number of issued Company Shares (i.e. 5,289,607,889 shares) as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any Company Shares, underlying Company Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) **Substantial Shareholders' interests and short positions in the Company Shares and underlying Shares**

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons had interests or short positions in the Shares or underlying Company Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in Company Shares

Name of Shareholder	Capacity	Number of Company Shares held	Approximate percentage of total number of issued Company Shares as at the Latest Practicable Date <i>(Note 1)</i>
CMC	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,793,558,916	71.72%
CMCL	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,793,558,916	71.72%
MNH	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,793,558,916	71.72%
CMN	Interest of controlled corporation <i>(Notes 2 and 3)</i>	3,793,558,916	71.72%
Album Enterprises	Beneficial owner <i>(Note 3)</i>	2,509,091,090	47.44%
Top Create	Beneficial owner <i>(Note 2)</i>	1,284,467,826	24.28%

Notes:

- The calculation is based on the number of Company Shares which each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued Company Share (i.e. 5,289,607,889 shares) as at the Latest Practicable Date.
- Top Create is a wholly-owned subsidiary of CMN, which in turn is owned as to approximately 93.6% by MNH. MNH is a wholly-owned subsidiary of CMCL. CMCL is owned as to 87.538% by CMC and 0.846% by China National Metal Products Co. Ltd., which in turn is a wholly-owned subsidiary of CMC. Accordingly, CMN, MNH, CMCL and CMC were, by virtue of the SFO, deemed to be interested in the shares held by Top Create as at the Latest Practicable Date.
- Album Enterprises is a wholly-owned subsidiary of CMN. Accordingly, CMN, MNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the shares held by Album Enterprises as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, there were no other persons who were recorded in the register of the Company as having an interest or short positions in Company Shares or underlying Company Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed below, no other Directors are directors or employees of CMC, CMCL, MNH, CMN, Album Enterprises and/or Top Create.

Name of Director	Title	Company
Jiao Jian	President and director director	MNH and CMN Album Enterprises
Gao Xiaoyu	Vice President	MNH and CMN
Xu Jiqing	Vice President, director and CFO Vice President and CFO director	MNH CMN Album Enterprises

3 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4 LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Enlarged Group. Further, as at the Latest Practicable Date, the Company was not aware of any legal claims or proceedings that may have an influence on the Anvil Group's rights to explore or mine.

In November 2010, a group of non-government organisations' calling itself the Canadian Association Against Impunity, comprised of the groups Rights and Accountability in Development, the Canadian Centre for International Justice and Global Witness, announced that it had commenced a class action application against Anvil in a Montréal court. The action appears to be supported by two Congolese advocacy groups: l'Association africaine de Défense des droits de l'Homme and Action Contre l'Impunité pour les Droits Humains.

The action is based upon an incident at Kilwa in the northeast part of the Katanga Province of the DRC, which occurred in 2004 during which, following the taking of the town of Kilwa by rebels on 14 October 2004, the military of the DRC government commandeered Anvil's vehicles, drivers and chartered aircraft to assist the military in suppressing the rebel insurgency. Anvil has stated that it had no knowledge of what was planned for the military operation and was not involved in the operation

in any way. It is understood that during the course of the military suppression of the rebels a massacre was perpetrated. Over the past several years, the incident and Anvil have been subject to numerous investigations and court proceedings both in and outside the DRC. No findings adverse to Anvil or any of its employees have arisen in respect of the Kilwa incident in any of the foregoing.

Anvil announced its intention to defend itself against the class action application and appointed counsel in December 2010. A preliminary hearing was held during April 2011 at which Anvil was unsuccessful in having the application dismissed in the first instance. In June 2011, Anvil was granted leave to appeal the decision at the preliminary hearing, with the appeal hearing taking place on 25 November 2011 before the Québec Court of Appeal. A decision in respect of the appeal hearing was rendered on 24 January 2012, reversing the first instance decision and dismissing the application against Anvil. It is understood that the Canadian Association Against Impunity has indicated its intention to appeal this decision in the Canadian Supreme Court.

5 COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company) save as disclosed below:

1. **Jiao Jian, a non-executive Director, is:**

- the President and director of MNH;
- the President and director of CMN;
- a director of Hunan Nonferrous Metals Holdings Group Company Limited (“HNG”);
- a director of Copper Partners Investment Co., Ltd (“Copper Partners Investment”); and
- a director of Album Enterprises.

2. **Gao Xiaoyu, a non-executive Director, is:**

- the Vice President of MNH; and
- the Vice President of CMN.

3. **Xu Jiqing, a non-executive Director, is:**

- the Vice President, director and CFO of MNH;
- the Vice President and CFO of CMN;
- a director of HNG;

- a director of Copper Partners Investment; and
- a director of Album Enterprises.

Although the Group together with its jointly-controlled entities and the above companies are involved in businesses in the same industry, they are separate companies operated by separate and independent management. The Company is therefore capable of carrying on its business independently of, and at arm's length from the CMC Group, HNG and Copper Partners Investment.

6 INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect in any assets which have been, since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no contract or arrangement subsisting as at the date of this circular, in which any of the Directors are materially interested and which is significant to the business of the Enlarged Group.

7 QUALIFICATION AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have provided advice for inclusion in this circular:

Name	Qualification
PwC Hong Kong	Certified Public Accountants, Hong Kong
SRK Consulting (UK) Limited	Competent Persons' and Competent Evaluator

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, the above experts were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, all the above experts did not have any direct or indirect interest in any assets which had since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8 MATERIAL CONTRACTS

The Enlarged Group had entered into the following material contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) within two years immediately preceding the Latest Practicable Date:

- (a) the Clarification Agreement;
- (b) the Amended Lease Agreement;
- (c) the Heads of Agreement;
- (d) the facility agreement dated 23 December 2011 entered into between MMG Limited (as lender), a wholly owned subsidiary of the Company, and Alum Enterprises (as borrower), pursuant to which MMG Limited agreed to make a 12 month revolving cash advance facility of up to US\$100 million available to Alum Enterprises on an uncommitted basis;
- (e) the Support Agreement;
- (f) the Lock-up Agreement;
- (g) the loan facility agreement for up to US\$1 billion dated 30 September 2011 entered into between the Company (as borrower) and Alum Enterprises (as lender) pursuant to which Alum Enterprises agreed to make the CMN Loan;
- (h) a master sale and implementation agreement dated 15 September 2011 with an aggregate consideration of US\$726.8 million, entered into between the Company and CMN in relation to the sale and purchase of (1) the Company's entire 100% equity interest in Minmetals Aluminium Co., Ltd.; (2) the sale and purchase of the entire 72.8% equity interest of Riseup Dragon Limited, a wholly-owned subsidiary of the Company, in North China Aluminium Co., Ltd.; (3) the sale and purchase of the entire 51% equity interest of Orienmet Industry Company Limited, a wholly-owned subsidiary of the Company, in Yingkou Orienmet Plica Tube Company Limited; and (4) the entire 36.2913% equity interest of Lontic (H.K.) Limited, a wholly-owned subsidiary of the Company, in Changzhou Jinyuan Copper Co., Ltd.;
- (i) the subordinate equity transfer agreements entered into to effect the transfer of the equity interests described in paragraph (h) between the Company and its wholly-owned subsidiaries as described in paragraph (h) and CMN with respect to the purchase of Yingkou Orienmet Plica Tube Company Limited and Changzhou Jinyuan Copper Co., Ltd. or its wholly-owned subsidiary, Aluminco Holdings Limited, with respect to the purchase of Minmetals Aluminium Co., Ltd. and North China Aluminium Co., Ltd. each dated 28 October 2011;

- (j) a conditional placing agreement dated 19 April 2011 entered into between the Company and Macquarie Capital Securities Limited, Morgan Stanley & Co. International plc, BOCI Asia Limited, Citigroup Global Markets Asia Limited, Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch (as placing agents), pursuant to which the placing agents conditionally agreed to place to independent placees or, failing which, to acquire as principals, an aggregate of 762,612,000 new shares at a price of HK\$5.10 per Share;
- (k) the conditional sale and purchase deed dated 19 October 2010 entered into between Album Enterprises (as seller), All Glorious Limited (“**All Glorious**”) (as buyer), a wholly-owned subsidiary of the Company, and the Company (as guarantor and issuer of the consideration shares and convertible securities to satisfy part of the purchase price) in relation to the acquisition of the entire issued share capital of Album Resources Private Limited at an aggregate consideration of US\$1,846,000,000. Pursuant to the sale and purchase deed, the consideration was satisfied (i) as to US\$100,000,000 (equivalent to approximately HK\$780,000,000) in cash, (ii) as to US\$361,838,112 (equivalent to approximately HK\$2,822,337,274) through the issuance by the Company of consideration shares at an issue price of HK\$3.00 per Share, and as to US\$690,000,000 (equivalent to approximately HK\$5,382,000,000) through the issuance by the Company of perpetual subordinated convertible securities convertible into 1,560,000,000 conversion shares at an initial conversion price of HK\$3.45 per share;
- (l) the loan agreement dated 19 October 2010 entered into between All Glorious, the Company and Album Enterprises (the “**Loan Agreement**”) pursuant to which All Glorious agreed to lend US\$694,161,888 (equivalent to approximately HK\$5,414,462,726) to Album Enterprises on the terms set out in the Loan Agreement and the Company agreed to guarantee the obligations of All Glorious Limited under the Loan Agreement;
- (m) the escrow deed dated 17 October 2010 entered into between the Company, Album Enterprises, All Glorious and Freehills Singapore pursuant to which Freehills Singapore held the Loan Agreement in escrow;
- (n) the loan facility agreement (the “**Facility Agreement**”) dated 10 June 2010 entered into between MMG Management Pty Ltd (as lender) and Album Enterprises (as borrower) pursuant to which MMG Management Pty Ltd agreed that, at its complete discretion, it may make certain loan facilities available to Album Enterprises on an uncommitted basis, such loans to be used for the general corporate purposes of Album Enterprises on the terms set out in the Facility Agreement; and
- (o) the share transfer agreement dated 1 April 2010 entered into between Goldfair Hong Kong Limited (“**Goldfair**”), a wholly-owned subsidiary of the Company, and 煙台國豐投資控股有限公司 (Yantai Guofeng Investment Holding Company Limited) (“**Yantai Guofeng**”), pursuant to which Goldfair conditionally agreed to sell and Yantai Guofeng conditionally agreed to purchase a 42% equity interest in 煙台鵬暉銅業有限公司 (Yantai Penghui Copper Industry Company Limited) at a consideration of RMB85,590,000 (equivalent to approximately HK\$97,572,600), in accordance with the terms and conditions of the share transfer agreement.

9 GENERAL

- (a) The address of the registered office of the Company is at Units 8501-8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Ms. LEUNG Suet Kam, Lucia, a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and a fellow member of the Hong Kong Institute of Chartered Secretaries.
- (c) The share registrar and the transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the registered office of the Company at Units 8501-8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong from the date of this circular until 9 March 2012:

- (a) the memorandum and articles of association of the Company;
- (b) the published annual reports of the Company including the audited accounts for each of the financial years ended 31 December 2009 and 31 December 2010;
- (c) the interim report of the Company for the six months ended 30 June 2011;
- (d) the unaudited consolidated statements of comprehensive income and unaudited consolidated balance sheets under HKFRS of Anvil, as set out in Appendix II to this circular;
- (e) the accountants' report issued by PwC Hong Kong in connection with the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (f) the CPVR on the Kinsevere Mine prepared by SRK, the text of which is set out in Appendix IV to this circular;
- (g) the written consents referred to under the paragraph headed "General information — Qualifications and Consents of Experts" in this Appendix V;
- (h) copies of each of the material contracts referred to under the paragraph headed "General information — Material contracts" in this Appendix V;

- (i) the circular of the Company dated 12 October 2011 regarding the major and connected transaction in relation to the sale of (1) 100% of the equity interests in Minmetals Aluminium Co., Ltd.; (2) 72.8% of the equity interests in North China Aluminium Co., Ltd.; (3) 51% of the equity interests in Yingkou Orienmet Plica Tube Company Limited; and (4) 36.2913% of the equity interests in Changzhou Jinyuan Copper Co., Ltd.; and

- (j) this circular.