LOAN AGREEMENT

THIS LOAN AGREEMENT made the 22nd day of December, 2005.

BETWEEN:

ANVIL MINING LIMITED, a company under the laws of the Northwest Territories, having an office at Level 2, 38 Richardson Street, West Perth, Western Australia, 6005,

(the "**Borrower**")

AND:

DEANS KNIGHT CAPITAL MANAGEMENT LTD., a company under the laws of Canada, having an office at 730 – 999 West Hastings Street, Vancouver, British Columbia, **in its capacity as portfolio manager on behalf of** CIBC Mellon acct. #WFLF0096002, Royal Trust Corp. acct. #110952001, Desjardins Trust acct. # 9084005-82 and Royal Trust Corp. acct #49-0204/1.1

(the "**Lender**")

WHEREAS the Borrower has requested that the Lender provide a loan to the Borrower and the Lender has agreed to provide the Loan to the Borrower on the terms and conditions of this Loan Agreement

NOW THEREFORE this Loan Agreement witnesses that in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto covenant and agree as follows:

SECTION 1. INTERPRETATION

1.1 Definitions

Terms not otherwise defined in this Loan Agreement shall have the meanings set out below:

"**Debt**" of any Person means (i) all indebtedness of such Person for and in respect of borrowed money, including all obligations with respect to bankers' acceptances, letters of credit and letters of guarantee; (ii) all indebtedness of such Person for the deferred purchase price of property or services represented by a note or other evidence of indebtedness or other security; (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all leases of property, real or personal, moveable or immoveable, in respect of which the present value of the minimum rental commitment would, in accordance with Canadian generally accepted accounting principals, be capitalized on a balance sheet of a lessee; and (v) any of the foregoing, which has been directly or indirectly guaranteed by such Person;

"**Event of Default**" has the meaning given in Section 9 of this Loan Agreement;

"**Material Adverse Effect**" means any event, condition or occurrence that has, or is reasonably likely to result in, a material adverse effect on:

(a) the ability of the Borrower to perform any of its obligations under this Loan Agreement, the Promissory Note or the Warrant Certificate; or

(b) the validity or enforceability of this Loan Agreement, the Promissory Note or the Warrant Certificate, or the rights or remedies of the Lender or its assignees thereunder;

"**New Facility**" means the agreement proposed to be entered into in the future between the Borrower and Fortis Bank in respect of a US$15 million credit facility, or such other amount as approved by the Lender;

"**Permitted Encumbrances**" means

(a) any Security Interests granted or to be granted by the Borrower to Fortis Bank to secure the obligations under the New Facility;

(b) any Security Interests granted by the Borrower to RMB Resources Limited in respect of the Existing Facility;

(c) any Security Interest to secure Debt incurred solely for the purpose of financing the acquisition of any asset acquired after the date hereof or existing on any asset acquired by the Borrower, provided that:

   (i) each such Security Interest shall at all times be confined solely to the assets so acquired;

   (ii) the principal amount of Debt secured by each such Security Interest shall at no time exceed the cost of the assets;

   (iii) such assets were acquired in the ordinary course of business of the Borrower;

   (iv) if such Security Interest is existing on the property at the time of its acquisition, such Security Interest shall not have been created, or assumed by the Borrower, in contemplation of such acquisition; and

   (v) Debt associated with or the expenditures incurred or to be incurred in connection with such acquisition does not otherwise create a breach of any provision of this Loan Agreement;

(d) liens, Security Interests, privileges, charges or other encumbrances arising under statutory provisions which although filed or registered, relate to obligations not due or delinquent or, if due or delinquent, relate to obligations which are not contested in good faith at this time; and

(e) restrictions, easements, rights-of-way, servitudes or other similar rights in land granted to, or reserved or taken by, any other person which will not, either individually or in the aggregate, materially and adversely impair or interfere with the use of property for the purposes for which it is held;

"Person" means, as the context requires, an individual, a partnership, a corporation, a trust, a joint venture or other unincorporated association, a body corporate, a cooperative association, a governmental body or a combination of any of the foregoing;

"Security Interest" means any hypothec, mortgage, pledge, fixed or floating charge, assignment by way of security or any other security interest securing payment or performance of a obligation; and

"Subsidiary" means any corporation of which at least 50% of the total combined voting power of all classes of voting shares shall, at the time of which the determination is made, be owned directly or indirectly by the Borrower or by any Person in which the Borrower has at least a majority ownership and power to direct the policies, management and affairs of such Person.

1.2 <u>Currency</u>

Unless otherwise specified all amounts referred to in this Loan Agreement are in Canadian Dollars.

SECTION 2. <u>LOAN</u>

The Lender shall lend to the Borrower the principal amount of $6,000,000 (the "**Loan**") upon the terms and subject to the conditions herein contained.

SECTION 3. <u>CONDITIONS PRECEDENT</u>

The obligation of the Lender to make the Loan to the Borrower pursuant to Section 2 of this Loan Agreement is subject to the fulfilment of the following conditions precedent prior to the making of the Loan:

(a) the Lender must have received a promissory note (the "**Promissory Note**") originally executed by the Borrower in the form attached hereto as Schedule A having a principal amount equal to the Loan;

(b) the Borrower must have delivered in accordance with the directions of the Lender certificates (a "**Warrant Certificate**") in the from attached hereto as Schedule B, representing transferable share purchase warrants of the Borrower which entitle the holders thereof to acquire in aggregate from the Borrower at any time prior to December 22, 2007 up to a maximum of 600,000 common shares (the "**Warrant Shares**") in the capital of the Borrower at a purchase price of $6.25 per share;

(c) the Lender must have received evidence satisfactory to it there has been no material change in the business, operations or financial condition of the Borrower from December 4, 2005 to the date of this Agreement, which is, or could reasonably be expected to result in, a Material Adverse Effect; and

(d) the Borrower must have delivered in accordance with the directions of the Lender payments in the aggregate amount of $120,000 representing the Borrower's commitment fee in respect of this Loan Agreement.

SECTION 4. INTEREST

The Loan shall bear interest both before and after maturity, default and judgment at the daily rate equivalent of:

(a) 8% per annum, for the period from December 22, 2005 to June 21, 2006;

(b) 10% per annum, for the period from June 22, 2006 to December 21, 2006; and

(c) 12% per annum, for the period from December 22, 2006 until the amount of Loan and all accrued and unpaid interest thereon is fully repaid.

All such interest shall be calculated at the end of each calendar month, not in advance, on the daily balance of the principal sum, with interest on overdue interest at the same rate. Accrued interest shall be due and payable by the Borrower on the last day of each calendar month.

SECTION 5. MATURITY DATE

The Borrower shall pay the outstanding balance of the Loan and all accrued and unpaid interest thereon on June 22, 2007 (the "**Expiry Date**").

SECTION 6. RIGHT OF PREPAYMENT

The Borrower may prepay at any time before the Expiry Date the whole or, from time to time, any part of the Loan without notice, bonus or penalty. The Loan is not a revolving loan and the Lender shall not be obligated to re-advance any amounts that have been repaid.

SECTION 7. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that:

(a) the Borrower and each Subsidiary is duly incorporated, amalgamated, continued, constituted or organized, as the case may be, and is validly existing and in good standing with respect to any necessary filings of annual returns under the laws of the jurisdiction in which it was incorporated, amalgamated, continued, constituted or organized;

(b) the Borrower and each Subsidiary has the requisite power and capacity to carry on its business as now conducted and as presently proposed to be conducted;

(c) the Borrower and each Subsidiary is duly qualified to carry on its business and is in good standing with respect to any necessary filings in each jurisdictions in which the failure to be so qualified or in good standing would have a Material Adverse Effect;

(d) this Loan Agreement, Promissory Note and Warrant Certificate have been duly and validly authorized, executed and delivered by the Borrower;

(e) the Warrant Shares have been duly allotted and authorized by the Borrower and, when issued and delivered upon receipt of the full amount of the consideration therefor, will be validly issued by the Borrower and outstanding as fully paid and non-assessable common shares of the Borrower;

(f) it has applied to the Toronto Stock Exchange for conditional approval of the listing of the Warrant Shares and the Borrower reasonably believes that the Australian Stock Exchange will list the CHESS Depositary Interests representing Warrant Shares upon receipt of the application for listing to be made at or about the time of issuing the Warrant Shares;

(g) the Borrower and each Subsidiary has good title to, or other interests in, property and assets which are necessary for the business-like operation of its businesses;

(h) the Borrower and each Subsidiary has title to their respective properties and assets free and clear of all liens and encumbrances other than Permitted Encumbrances;

SECTION 8. COVENANTS

8.1 Positive Covenants

The Borrower shall, and in the case of paragraphs (a) through (f), shall cause each Subsidiary to:

(a) maintain itself as a corporation validly existing and in good standing with respect to any necessary filings of annual returns in the jurisdiction of its organization with the power and capacity to carry on its business and duly qualified to carry on business in each jurisdiction in which the failure to be so qualified would have or result a Material Adverse Effect;

(b) carry on and conduct its business in a proper and business-like manner consistent with standard industry practice;

(c) maintain in good order and repair its assets and undertaking which are necessary for the efficient operation of its business unless the failure to so maintain or repair does not have or result in a Material Adverse Effect;

(d) keep proper books of account and records in conformity with generally accepted accounting principals;

(e) comply with every statute, bylaw, rule and regulation applicable to its business, property and assets, unless such failure to comply does not have or result in a Material Adverse Effect;

(f) maintain insurance for its property, assets and undertaking with financially sound and reputable insurers to the extent and against risks customary for corporations in similar businesses;

(g) use the proceeds of the Loan solely for general corporate purposes;

(h) reimburse the Lender for all costs and expenses (together will all applicable taxes) incurred by the Lender in connection with the negotiation, preparation and execution of this Loan Agreement, the Promissory Note and the Warrant Certificate and any other related documents referred to therein or contemplated thereby; and

(i) satisfy all requirements of the Toronto Stock Exchange and Australian Stock Exchange to ensure the listing of the Warrant Shares or, in the case of the Australian Stock

Exchange, the listing of the CHESS Depositary Interests representing Warrant Shares.

8.2 <u>Negative Covenants</u>

The Borrower shall not, and shall not permit any Subsidiary to, without the prior written consent of the Lender (which consent will not be unreasonably withheld or delayed):

(a) except for Permitted Encumbrances, create, assume, incur or permit to exist any lien upon any of property or assets of the Borrower or any Subsidiary, whether now owned or hereafter acquired;

(b) provide any guarantee, endorsement or other contingent liability in connection with any Debt, shares or dividends of any Person;

(c) create, grant, incur, assume or suffer to exist contingently or otherwise any Debt, other than amounts owing by or to the Borrower by any Subsidiary or between Subsidiaries, trade debt incurred in the ordinary course of business and amounts owing under the New Facility;

(d) enter into any commodity, currency or interest rate hedging transaction unless such transaction is intended to reduce risks associated with movements in commodity prices, currency or interest rates or other similar risks incurred by the Borrower or a Subsidiary in the ordinary course of business and provided that such transaction is not entered into solely for speculative investment purposes;

(e) make, or allow to be made, any payment on account of or redemption or distribution or return of capital (including, without limitation, cash dividends and any repayment of shareholder loans) to any shareholder or holder of its securities;

(f) pay any management or consulting fees to any Person, other than on arm's length commercial terms or amounts payable between the Borrower and a Subsidiary or between Subsidiaries;

(g) enter into any agreements or arrangements with any Person unless those agreements or arrangements are entered into in good faith and on arm's length commercial terms;

(h) sell, exchange, lease, release or abandon or otherwise dispose of, any legal or beneficial right, title or interest in and to any of its property or assets other than (i) such property or assets which have become unserviceable, unnecessary or undesirable in connection with the business and which are replaced (to the extent that prudent business practice dictates such replacement) with other property which has similar usefulness to the business at the time of such replacement; or (ii) such other property or assets that are personal property and are inventory and which are sold, exchanged, leased, released or disposed of in the ordinary course of business;

(i) permit or make, any capital investments, loans or advances or provide credit or other financial assistance, whether secured or unsecured, to or in any Person or commit to make any such capital investments or financial assistance other than capital investments, loans, advances, provisions of credit or other financial assistance by the Borrower to any one or more Subsidiaries or between Subsidiaries;

(j) materially change, or interfere with, the nature or character of the existing business of the Borrower or any Subsidiary;

(k) amalgamate, consolidate or merge with any Person, or enter into any transfer or sale agreement or any similar transaction or arrangement whereby all or substantially all of the Borrower's or such Subsidiary's assets would become the property of another Person, except and unless:

(i) the successor or survivor assumes or is otherwise liable for the Borrower's obligations under this Loan Agreement, the Promissory Note and the Warrant Certificate;

(ii) this Loan Agreement, the Promissory Note and the Warrant Certificate will, upon completion of the transaction, be valid, binding and enforceable obligations of such successor or survivor;

(iii) the rights and remedies of the Lender or its assignees under this Loan Agreement, the Promissory Note or the Warrant Certificate are not impaired in any manner as a consequence of such transaction; and

(iv) no Event of Default has occurred and is continuing or would arise as a result thereof.

SECTION 9. EVENTS OF DEFAULT

Each of the following shall constitute an event of default ("**Event of Default**") under this Loan Agreement:

(a) the Borrower fails to pay when due any amount payable by it under the Loan Agreement or the Promissory Note;

(b) the Borrower fails to issue or deliver the Warrant Shares upon the exercise by the Lender of its rights under the Warrant Certificate;

(c) any representation and warranty contained in this Loan Agreement, the Promissory Note or the Warrant Certificate or any other instrument or document delivered pursuant thereto or contemplated thereby is found to be untrue or incorrect in any material respect when made;

(d) the Borrower fails to comply with any other provision of this Loan Agreement, the Promissory Note or the Warrant Certificate and such failure is not cured within eight (8) days of any director or officer of the Borrower or its Subsidiary first having knowledge, or being in a position to have such knowledge, of such failure;

(e) the insolvency or bankruptcy of the Borrower or any Subsidiary, the taking of proceedings by the Borrower or any Subsidiary or against the Borrower or any Subsidiary under any statute dealing with insolvency or bankruptcy, or the appointment of a receiver, receiver-manager or liquidator of any property of the Borrower or any Subsidiary;

(f) any breach by the Borrower of the terms of any agreement, present or future, between the Borrower and the Lender, whether contemplated by this agreement or otherwise;

(g) any event or condition occurs under any agreement for Debt (including without limitation the New Facility) in an amount exceeding US$100,000, that results in such Debt of the Borrower or a Subsidiary becoming due prior to its scheduled maturity or that enables or permits the holder of such Debt to cause such Debt to become due, or to require the prepayment or repayment thereof, prior to its scheduled maturity; and is not set aside or satisfied within 8 days,

(h) any creditor or other holder of any Security Interests in all or any part of the assets of the Borrower shall take any action or proceedings, or shall authorize or instruct any other Person on its behalf to take any action or proceedings, to commence any enforcement or realization under, or exercise or pursue any rights, recourses or remedies under, any agreement or other instrument creating a Security Interest on any such assets or if a seizure or attachment is made of, or enforcement made against any undertaking or assets of the Borrower;

(i) pursuant to a judgment against the Borrower or any Subsidiary for the payment the an amount in excess of US$100,000, any writ, execution, sequestration, order or any other process of any court becomes enforceable against, or an attachment, a distress or analogous process is levied upon the Borrower or any Subsidiary; and is not set aside or satisfied within 8 days,

(j) an event occurs which, in the sole opinion of the Lender has, or is reasonably likely to have a Material Adverse Effect; or

(g) the TSX does not conditionally approve the listing of the Warrant Shares within 15 business days of the date of advancement of the Loan to the Borrower and the conditions of the TSX to approval are not satisfied within 15 business days of the date of conditional approval by the TSX, where "business day" means a day on which banks are open for business in the Province of British Columbia.

SECTION 10. DEFAULT TERMS

Upon the occurrence of an Event of Default and while it is continuing, the Lender may, in its sole discretion, by notice to the Borrower, declare the balance of the Loan outstanding at the date of such Event of Default plus all accrued and unpaid interest thereon to be immediately due and payable. Upon receipt of such a notice under this Section 10, the Borrower shall immediately pay to the Lender all such amounts due and payable.

SECTION 11. NOTICES

Any notice, direction or other instrument required or permitted to be given under this Loan Agreement by the Lender to the Borrower or by the Borrower to the Lender must be in writing and given personally or by courier or by facsimile transmission at the following addresses for notices, or such other addresses as a party may advise by subsequent notice from time to time:

If to the Borrower:

Deans Knight Capital Management Ltd.
730 – 999 West Hastings Street,
Vancouver, British Columbia
V6C 2W2

Attention: Dillon Cameron

If to the Lender:

Anvil Mining Limited
Level 2, 38 Richardson Street,
West Perth, Western Australia, 6005
Attention: Craig Munro

Any communication aforesaid shall:

(a) if given personally or couriered, be deemed to have been given or made at the time of delivery; and

(b) if sent by facsimile transmission, be deemed to have been given or made on the day following the day on which it was sent.

Any party may give written notice of change of address in the same manner, in which event such notice shall thereafter be given to it as above provided at such changed address.

SECTION 12. FURTHER ASSURANCES

Each of the parties hereto hereby covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary to implement and carry out the intent of this Loan Agreement.

SECTION 13. ENUREMENT

This Loan Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

SECTION 14. GOVERNING LAW

This Loan Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia, which shall be deemed to be the proper law hereof. The Courts of British Columbia shall have jurisdiction (but not exclusive jurisdiction) to entertain and determine all disputes and claims, whether for specific performance, injunction, declaration or otherwise howsoever both at law and in equity, arising out of or in any way connected with the construction, breach, or alleged, threatened or anticipated breach of this Loan Agreement and shall have jurisdiction to hear and determine all questions as to the validity, existence or enforceability thereof.

SECTION 15. TIME OF ESSENCE

Time shall be of the essence of this Loan Agreement.

SECTION 16. SEVERABILITY

Should any part of this Loan Agreement be declared or held invalid for any reason, such invalidity shall not affect the validity of the remainder which shall continue in force and effect and be construed as if this Loan Agreement had been executed without the invalid portion and it is hereby declared the intention of the parties hereto that this Loan Agreement would have been executed without reference to any portion which may, for any reason, be hereafter declared or held invalid.

SECTION 17. <u>ENTIRE AGREEMENT</u>

The provisions herein contained constitute the entire agreement between the parties and supersede all previous communications, representations and agreements whether verbal or written between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF the parties to this Loan Agreement have executed this Loan Agreement as of the day and year set out on the first page hereof.

DEANS KNIGHT CAPITAL MANAGEMENT LTD.

Authorized Signatory

ANVIL MINING LIMITED

Authorized Signatory

Authorized Signatory