Anvil Mining Limited

Condensed Consolidated Interim Financial Statements

Three Months And Nine Months (Third Quarter) Ended September 30, 2011

(Unaudited)

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	September 30 2011	December 31 2010 *(restated)*
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
		110,828	**92,163**
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
		615,057	**589,162**
Total assets		**725,885**	**681,325**
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	2,174	2,634
		62,650	**75,481**
Non-current liabilities			
Borrowings	13	27,865	31,829
Provisions	15	21,627	20,991
Deferred tax liabilities		9,883	10,766
		59,375	**63,586**
Total liabilities		**122,025**	**139,067**
Net assets		**603,860**	**542,258**

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	September 30 2011	December 31 2010 *(restated)*
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	(18,897)	-
Capital and reserves attributable to owners of Anvil Mining Limited		**608,109**	**545,144**
Non-controlling interests		(4,249)	(2,886)
Total equity		**603,860**	**542,258**

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	3 Months ended September 30 2011	3 Months ended September 30 2010 *(restated)*	9 Months ended September 30 2011	9 Months ended September 30 2010 *(restated)*
Continuing operations		1		1	
Revenue from sale of goods		66,384	14,932	94,350	44,947
Cost of goods sold		(33,942)	(10,757)	(57,305)	(33,583)
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		(786)	(293)	(1,886)	(676)
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		206	776	1,564	1,768
Finance items-net		(4,307)	197	(3,426)	174
Profit/(loss) before tax		**12,329**	**(2,581)**	**38,813**	**4,507**
Income tax (expense)/benefit	6	(9,385)	3,539	809	11,543
Profit for the period from continuing operations		**2,944**	**958**	**39,622**	**16,050**
Discontinued operation					
Profit from discontinued operation		-	-	-	5,436
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	(2,763)	2,366	(18,897)	2,081
Total comprehensive income for the period		**181**	**3,324**	**20,725**	**23,567**
Profit/(loss) attributable to:					
Owners of Anvil Mining Limited		3,035	1,639	40,985	23,905
Non-controlling interests		(91)	(681)	(1,363)	(2,419)
		2,944	**958**	**39,622**	**21,486**
Total comprehensive income/(loss) attributable to:					
Owners of Anvil Mining Ltd		272	4,005	22,088	25,986
Non-controlling interests		(91)	(681)	(1,363)	(2,419)
		181	**3,324**	**20,725**	**23,567**
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.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9 Months ended September 30, 2011	**Attributable to owners of Anvil Mining Limited**					**Non-controlling interest**	
	Issued capital	**Retained earnings**	**Share based payment reserve**	**Financial asset revaluation reserve**	**Total**		**Total Equity**
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
Other comprehensive income/(loss) for the period:							
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	**519,587**	**95,929**	**11,490**	**(18,897)**	**608,109**	**(4,249)**	**603,860**

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9 Months ended September 30, 2010	**Attributable to owners of Anvil Mining Ltd**					**Non-controlling interest**	
	Issued capital	**Retained earnings**	**Share based payment reserve**	**Financial asset revaluation reserve**	**Total**		**Total Equity**
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
Other comprehensive income/(loss) for the period:							
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.

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	3 Months ended September 30		9 Months ended September 30	
		2011	**2010**	**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
		33,949	5,905	35,792	15,288
Changes in non-cash working capital	18	(15,289)	(5,374)	(51,978)	(6,772)
		18,660	**531**	**(16,186)**	**8,516**
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
		5,528	**(31,770)**	**(22,209)**	**(95,366)**
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)
		(12,691)	**(1,979)**	**21,996**	**(4,073)**
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		544	169	453	100
Cash and cash equivalents at end of the period for continuing operations		**40,469**	**30,411**	**40,469**	**30,411**
Cash and cash equivalents at end of the period		**40,469**	**30,411**	**40,469**	**30,411**

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.

NOTES TO THE FINANCIAL STATEMENTS

(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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

NOTES TO THE FINANCIAL STATEMENTS

(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
		95,432	**-**	**95,432**
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
		556,417	4,948	561,365
Total assets		**651,849**	4,948	**656,797**
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
		44,000	12,936	56,936
Non-current liabilities				
Deferred tax liabilities	(iii)	9,494	12	9,506
Provisions	(ii)	13,285	6,221	19,506
		22,779	6,233	29,012
Total liabilities		**66,779**	**19,169**	**85,948**
Net assets/(liabilities)		**585,070**	**(14,221)**	**570,849**
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)	14,297	(559)	13,738
		587,490	(14,221)	573,269
Non-controlling interest		(2,420)	-	(2,420)
Total equity		**585,070**	**(14,221)**	**570,849**

**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.*

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

NOTES TO THE FINANCIAL STATEMENTS

(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)	(12)
Equity as reported under IFRS		**570,849**

	Note 3(d)	3 Months ended September 30, 2010	9 Months ended September 30, 2010
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)	(3)	(10)
As reported under IFRS		**3,324**	**23,567**

**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.

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

NOTES TO THE FINANCIAL STATEMENTS

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, aseach 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.

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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	(33,942)	-	-	(33,942)
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	(240)	(8)	(538)	(786)
	31,999	(422)	(7,205)	24,372
Add back depreciation and amortization	9,233	-	138	9,371
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	621,264	51,654	52,966	725,885

	3 Months ended September 30, 2010			
	Kinsevere	**Mutoshi**	**Other**	**Total**
Sales	14,827	105	-	14,932
Cost of goods sold	(10,757)	-	-	(10,757)
Gross profit	**4,070**	**105**	**-**	**4,175**
General, administrative and marketing costs	(291)	(737)	(4,931)	(5,959)
Exploration costs	-	-	(88)	(88)
Other expenses	-	-	(293)	(293)
	3,779	(632)	(5,312)	(2,165)
Add back depreciation and amortization	3,808	278	452	4,538
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	544,790	52,267	59,740	656,797

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

NOTES TO THE FINANCIAL STATEMENTS

	9 Months ended September 30, 2011			
	Kinsevere	**Mutoshi**	**Other**	**Total**
Sales	94,350	-	-	94,350
Cost of goods sold	(57,279)	(26)	-	(57,305)
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	(134)	(1)	(1,751)	(1,886)
	35,542	(1,122)	(16,941)	17,479
Add back depreciation and amortization	16,379	-	709	17,088
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	621,264	51,654	52,966	725,885

	9 Months ended September 30, 2010			
	Kinsevere	**Mutoshi**	**Other**	**Total**
Sales	43,937	1,010	-	44,947
Cost of goods sold	(32,838)	(745)	-	(33,583)
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	-	-	(676)	(676)
	10,566	(1,913)	(12,125)	(3,472)
Add back depreciation and amortization	11,619	920	1,063	13,602
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	544,790	52,267	59,740	656,797

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:

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

NOTES TO THE FINANCIAL STATEMENTS

		3 Months ended September 30		9 Months ended 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		**33,743**	**2,373**	**34,567**	**10,130**

(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 September 30		9 Months ended 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		61	39	242	197
		61	**2,756**	**30,755**	**2,802**

(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 2011	December 31 2010
Cash at bank and in hand	33,781	30,896
Deposits at call	6,688	25,519
	40,469	**56,415**

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

NOTES TO THE FINANCIAL STATEMENTS

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	2,268	1,944
	33,379	**12,988**

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 theend 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	22,988	-
	22,988	**182**

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 2011	December 31 2010
Mawson West		
Ownership interest	-	25.5%
No. of shares	-	83,070,000
Carrying amount	-	11,927

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).

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

NOTES TO THE FINANCIAL STATEMENTS

Movements in carrying amounts

	September 30 2011	December 31 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	(13,043)	-
Carrying value at end of the period	-	**11,927**

11. Long-term Receivable

	September 30 2011	December 31 2010
Receivable from SNEL	13,600	14,253

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	14,803	-	14,803
	593,901	(107,743)	486,158
Mutoshi[1]			
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	4,635	-	4,635
	25,796	(15,579)	10,217
Other[2]			
Land and buildings	3,025	(1,099)	1,926
Plant and equipment	4,953	(4,191)	762
Capital work in progress	566	-	566
	8,544	(5,290)	3,254
Total property, plant and equipment	**628,241**	**(128,612)**	**499,629**

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

NOTES TO THE FINANCIAL STATEMENTS

Property, Plant and Equipment (continued)

	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	351,744	-	351,744
	567,106	(92,552)	474,554
Mutoshi[1]			
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	4,638	-	4,638
	25,994	(15,773)	10,221
Other[2]			
Land and buildings	3,025	(880)	2,145
Plant and equipment	5,302	(3,849)	1,453
Capital work in progress	330	-	330
	8,657	(4,729)	3,928
Total property, plant and equipment	**601,757**	**(113,054)**	**488,703**

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	27,865	31,829
	41,677	**36,478**

On December 16, 2009 the Group entered into a $100 million loan facility with Trafigura (the ““Loan Facility”). 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	24,894	38,669

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

NOTES TO THE FINANCIAL STATEMENTS

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		21,475	20,847
		23,801	**23,625**

(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	2,944	160,644,074	0.02

	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	958	153,881,194	0.01

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

NOTES TO THE FINANCIAL STATEMENTS

	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	39,622	160,327,888	0.25

	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	16,050	154,091,300	0.10

18. Supplementary Cash Flow Information

	3 Months Ended September 30		9 Months Ended 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	635	(103)	(385)	(1,476)
	(15,289)	**(5,374)**	**(51,978)**	**(6,772)**

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.