

Anvil Mining Limited

Condensed Consolidated Interim Financial Statements

Three Months (Second Quarter) Ended June 30, 2011

(Unaudited)

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	June 30 2011	Dec 31 2010 <i>(restated)</i>
ASSETS			
Current assets			
Cash and cash equivalents	7	28,428	56,415
Restricted cash		6,808	7,314
Trade and other receivables	8	27,947	12,988
Inventories		27,460	14,060
Other financial assets	9	75	182
Current assets classified as held for sale		-	1,204
		90,718	92,163
Non-current assets			
Restricted cash		513	513
Trade and other receivables	11	14,311	14,253
Other financial assets	9	25,752	-
Investment in associate	10	-	11,927
Inventories		14,250	13,109
Exploration and evaluation expenditure		60,722	60,657
Property, plant and equipment	12	516,763	488,703
		632,311	589,162
Total assets		723,029	681,325
LIABILITIES			
Current liabilities			
Trade and other payables		25,243	29,508
Financial liabilities	14	18,641	38,669
Borrowings	13	13,060	4,649
Current income taxes		62	21
Provisions	15	2,680	2,634
		59,686	75,481
Non-current liabilities			
Borrowings	13	38,978	31,829
Provisions	15	21,417	20,991
Deferred tax liabilities		499	10,766
		60,894	63,586
Total liabilities		120,580	139,067
Net assets		602,449	542,258

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	June 30 2011	December 31 2010 <i>(restated)</i>
Shareholders' equity			
Share capital		519,465	480,787
Share-based payment reserve		10,382	9,413
Retained earnings		92,894	54,944
Other reserves	9	(16,134)	-
Capital and reserves attributable to owners of Anvil Mining Ltd		606,607	545,144
Non-controlling interests		(4,158)	(2,886)
Total equity		602,449	542,258

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 June 30		6 Months Ended June 30	
		2011	2010 <i>(restated)</i>	2011	2010 <i>(restated)</i>
Continuing operations					
Revenue from sale of goods		10,402	14,529	27,966	30,015
Cost of goods sold		(12,311)	(11,994)	(23,363)	(22,825)
Gross (loss) / profit		(1,909)	2,535	4,603	7,190
Other income	5	93	3,920	30,694	4,952
Gain / (loss) on derivative instruments		193	(757)	(107)	(409)
Exploration costs		(65)	-	(65)	-
General, administrative and marketing costs		(6,195)	(4,234)	(10,331)	(8,109)
Share of (loss) / gain in associate		-	(226)	1,116	(226)
Fair value gain on warrants carried at fair value through profit and loss		1,240	9,912	793	4,198
Other expenses		(1,011)	(540)	(1,100)	(495)
(Loss) / profit before finance items and tax		(7,654)	10,610	25,603	7,101
Finance income		34	577	1,358	992
Finance costs		(209)	(501)	(477)	(1,015)
Finance items-net		(175)	76	881	(23)
(Loss) / profit before tax		(7,829)	10,686	26,484	7,078
Income tax benefit	6	6,997	4,410	10,194	8,005
(Loss) / profit for the period from continuing operations		(832)	15,096	36,678	15,083
Discontinued operation					
Profit from discontinued operation		-	5,582	-	5,448
(Loss) / profit for the period		(832)	20,678	36,678	20,531
Other comprehensive income / (loss)					
Changes in fair value of available-for-sale investments	9	(16,134)	(233)	(16,134)	(284)
Total comprehensive (loss) / income for the period		(16,966)	20,445	20,544	20,247
(Loss) / profit attributable to:					
Owners of Anvil Mining Ltd		(67)	21,826	37,950	22,269
Non-controlling interests		(765)	(1,198)	(1,272)	(1,738)
		(832)	20,678	36,678	20,531
Total comprehensive (loss) / income attributable to:					
Owners of Anvil Mining Ltd		(16,201)	21,643	21,816	21,985
Non-controlling interests		(765)	(1,198)	(1,272)	(1,738)
		(16,966)	20,445	20,544	20,247
Profit / (loss) per share from continuing operations:					
Basic profit / (loss) per share (\$)	17	(0.01)	0.10	0.23	0.10
Diluted profit / (loss) per share (\$)	17	(0.01)	0.10	0.23	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

Six months ended June 30, 2011	Attributable to owners of Anvil Mining Ltd					Non-controlling interest	Total Equity
	Issued capital	Retained earnings	Share based payment reserve	Other reserve	Total		
Balance as at January 1, 2011	480,787	54,944	9,413	-	545,144	(2,886)	542,258
Profit / (loss) for the period	-	37,950	-	-	37,950	(1,272)	36,678
<i>Other comprehensive income / (loss) for the period:</i>							
Changes in fair value of available-for-sale investments	-	-	-	(16,134)	(16,134)	-	(16,134)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	37,950	-	(16,134)	21,816	(1,272)	20,544
Recognition of share-based payments	-	-	969	-	969	-	969
Issue of ordinary shares	38,678	-	-	-	38,678	-	38,678
Balance as at June 30, 2011	519,465	92,894	10,382	(16,134)	606,607	(4,158)	602,449

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

Six months ended June 30, 2010	Attributable to owners of Anvil Mining Ltd					Non-controlling interest	Total Equity
	Issued capital	Retained earnings	Share based payment reserve	Other reserve	Total		
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	-	22,269	-	-	22,269	(1,738)	20,531
<i>Other comprehensive income / (loss) for the period:</i>							
Changes in fair value of available-for-sale investments	-	-	-	(284)	(284)	-	(284)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	22,269	-	(284)	21,985	(1,738)	20,247
Recognition of share-based payments	-	-	382	-	382	-	382
Shares repurchased	(1,238)	-	-	-	(1,238)	-	(1,238)
Issue of ordinary shares	107	-	(37)	-	70	-	70
Share issue expenses	(300)	-	-	-	(300)	-	(300)
Amount disbursed on behalf of the Dikulushi Trusts during the period	-	-	-	-	-	(260)	(260)
Balance as at June 30, 2010	479,867	77,618	9,305	1,922	568,712	(1,738)	566,974

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 June 30		6 Months Ended June 30	
		2011	2010	2011	2010
Cash flows from operating activities					
(Loss) / profit for the period from continuing operations		(832)	15,096	36,678	15,083
Adjustments for:					
Depreciation and amortization		4,154	4,245	7,717	9,064
Share of loss / (gain) of associate		-	226	(1,116)	226
Loss / (gain) on derivative instruments		(193)	757	107	409
Provision for impairment of asset		-	(3,904)	-	(4,809)
Gain on sale of asset		(126)	-	(1,764)	-
Non cash finance cost		209	519	418	999
Gain on discontinuation of equity accounting		-	-	(28,842)	-
Provision for bad or doubtful debts		-	450	-	450
Net exchange differences		(1,072)	123	(703)	(218)
Fair value gain on warrants		(1,240)	(9,912)	(793)	(4,198)
Deferred tax		(6,997)	(4,410)	(10,194)	(8,005)
Share-based payment expense		367	114	335	382
		(5,730)	3,304	1,843	9,383
Changes in non-cash working capital	18	(20,222)	3,580	(36,689)	(1,398)
		(25,952)	6,884	(34,846)	7,985
Cash flows used in investing activities					
Payments for property, plant and equipment		(8,093)	(23,490)	(27,672)	(57,021)
Payments for exploration expenditure		(65)	(5)	(65)	(227)
Payments as security deposit		-	(6,460)	-	(6,460)
Proceeds from repayments from investment		-	112	-	112
		(8,158)	(29,843)	(27,737)	(63,596)
Cash flows (used in) / provided by financing activities					
Proceeds from issue of shares (net of issue expenses)		1,964	42	20,078	(229)
Payment of loan origination costs		-	(255)	(795)	(531)
Movement in restricted cash		514	127	505	44
Payment of borrowings		(50)	(71)	(101)	(140)
Receipts from borrowings		-	-	15,000	-
Shares purchased – ESSIP		-	(1,238)	-	(1,238)
		2,428	(1,395)	34,687	(2,094)
Cash flows from discontinued operations					
Cash flows used in operating activities		-	513	-	-
Cash flows from financing		-	(30)	-	-
Net decrease in cash and cash equivalents from discontinued operations		-	483	-	-
Net increase / (decrease) in cash and cash equivalents		(31,682)	(23,871)	(27,896)	(57,705)
Cash and cash equivalents at beginning of the period		60,176	87,440	56,415	121,234
Effects of exchange rate changes on cash held in foreign currencies		(66)	(109)	(91)	(69)
Cash and cash equivalents at end of the period for continuing operations		28,428	63,460	28,428	63,460
Cash and cash equivalents at end of the period		28,428	63,460	28,428	63,460

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 situated 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 interim 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 the period ended March 31, 2011, other than in respect of the early adoption of IFRS 9 referred in 2 (b) below. 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 June 30, 2010 and comprehensive income for the three and six months ended June 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 August 12, 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 quarter ended March 31, 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 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 assets 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

NOTES TO THE FINANCIAL STATEMENTS

If either of the two criteria above are 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 other comprehensive income, 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.

3. Transition to IFRS

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this Note as follows:

- a) Effect 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 quarter ended March 31, 2011.

NOTES TO THE FINANCIAL STATEMENTS

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

	Note 3(d)	June 30, 2010		
		Canadian GAAP*	Adjustments	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		63,460	-	63,460
Trade and other receivables		20,393	-	20,393
Inventories		12,789	-	12,789
		96,642	-	96,642
Non-current assets				
Restricted cash		899	-	899
Trade and other receivables		18,405	-	18,405
Investments in associates		12,234	-	12,234
Other financial assets		22,633	-	22,633
Inventory		12,580	-	12,580
Exploration and evaluation expenditure*		60,549	-	60,549
Property, plant and equipment	(ii)	409,127	4,961	414,088
		536,427	4,961	541,388
Total assets		633,069	4,961	638,030
LIABILITIES				
Current liabilities				
Trade and other payables		27,302	-	27,302
Current income tax		54	-	54
Financial liabilities at fair value through profit or loss	(i)	995	8,501	9,496
Provisions		1,758	-	1,758
Borrowings		224	-	224
		30,333	8,501	38,834
Non-current liabilities				
Deferred tax liabilities	(iii)	13,036	9	13,045
Provisions	(ii)	12,933	6,244	19,177
		25,969	6,253	32,222
Total liabilities		56,302	14,754	71,056
Net assets / (liabilities)		576,767	(9,793)	566,974
EQUITY				
Amount attributable to owners of the parent				
Share capital	(i)	499,956	(20,089)	479,867
Retained earnings*	(i), (ii), (iii), (iv)	66,763	10,855	77,618
Reserves	(iv)	11,786	(559)	11,227
		578,505	(9,793)	568,712
Non-controlling interest		(1,738)	-	(1,738)
Total equity		576,767	(9,793)	566,974

(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)	June 30 2010
EQUITY	
Equity as reported under Canadian GAAP*	576,767
IFRS adjustments increases / (decreases):	
Warrants (i)	(8,501)
Mine rehabilitation and closure provision (ii)	(1,283)
Deferred income tax liability (iii)	(9)
Equity as reported under IFRS	566,974

Note 3(d)	3 Months Ended June 30, 2010	6 Months Ended June 30, 2010
PROFIT		
As reported under Canadian GAAP*	10,852	16,439
Increases / (decreases) in net income for:		
Unwind of rehabilitation provision (ii)	24	47
Depreciation on rehabilitation asset (ii)	(10)	(99)
Profit / loss on sale of discontinued operation (ii)	(329)	(331)
Fair value adjustment on warrants (i)	9,912	4,198
Deferred tax expense (iii)	(4)	(7)
As reported under IFRS	20,445	20,247

*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**

The 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 the warrants issued to Trafigura from equity to financial liabilities measured at fair value through profit or loss. Under IAS 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. 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 June 30, 2010	6 Months Ended June 30, 2010
Warrants: fair value adjustment		
Impact on profit or loss – (gain) / loss	(9,912)	(4,198)
Carrying amount of liability at end of period	8,501	8,501

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

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 June 30, 2010	6 Months Ended June 30, 2010
Rehabilitation provision		
Impact on profit or loss – net (gain) / loss	315	383
Carrying amount of liability at end of period	(19,177)	(19,177)
Carrying amount of asset at end of period	13,125	13,125

iii. Deferred Income Tax

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

	6 Months Ended June 30, 2010
Rehabilitation provision	(9)

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 the reports reviewed by 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 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 and was placed into care and maintenance on June 24, 2011. Stage II involves development of a 60,000 tonnes per year Solvent Extraction Electrowinning ("SX-EW") plant which is expected to 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. La Générale des Carrières et des Mines ("Gécamines") holds the remaining 30% interest in SMK on a non-dilutable basis. This segment is currently under care and maintenance.

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

NOTES TO THE FINANCIAL STATEMENTS**Other**

Other represents the Group's corporate and exploration activities. The exploration division includes exploration projects 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 month and six months ended June 30, 2011 and June 30, 2010 is as follows:

	3 Months to June 30, 2011			
	Kinsevere	Mutoshi	Other	Total
Sales	10,402	-	-	10,402
Cost of goods sold	(12,285)	(26)	-	(12,311)
Gross loss	(1,883)	(26)	-	(1,909)
General, administrative and marketing costs	(604)	(388)	(5,203)	(6,195)
Exploration costs	-	(65)	-	(65)
Other expenses	(558)	3	(456)	(1,011)
	(3,045)	(476)	(5,659)	(9,180)
Add back aAmortization	3,873	-	281	4,154
Adjusted EBITDA	828	(476)	(5,378)	(5,026)
Property, plant and equipment	503,282	10,232	3,249	516,763
Exploration and evaluation expenditure	19,252	40,277	1,193	60,722
Total assets	627,376	51,493	44,160	723,029

	3 Months to June 30, 2010			
	Kinsevere	Mutoshi	Other	Total
Sales	13,689	840	-	14,529
Cost of goods sold	(11,302)	(692)	-	(11,994)
Gross profit	2,387	148	-	2,535
General, administrative and marketing costs	(159)	(723)	(3,352)	(4,234)
Other expenses	(210)	(1)	(329)	(540)
	2,018	(576)	(3,681)	(2,239)
Add back aAmortization	3,725	309	210	4,244
Adjusted EBITDA	5,743	(267)	(3,471)	2,005
Property, plant and equipment	399,954	9,388	4,746	414,088
Exploration and evaluation expenditure	19,236	40,231	1,082	60,549
Total assets	510,141	52,571	75,318	638,030

NOTES TO THE FINANCIAL STATEMENTS

	6 Months to June 30, 2011			
	Kinsevere	Mutoshi	Other	Total
Sales	27,966	-	-	27,966
Cost of goods sold	(23,337)	(26)	-	(23,363)
Gross profit	4,629	(26)	-	4,603
General, administrative and marketing costs	(861)	(615)	(8,855)	(10,331)
Exploration costs	-	(65)	-	(65)
Other expenses	(644)	7	(463)	(1,100)
	3,124	(699)	(9,318)	(6,893)
Add back aAmortization	7,146	-	571	7,717
Adjusted EBITDA	10,270	(699)	(8,747)	824
Property, plant and equipment	503,282	10,232	3,249	516,763
Exploration and evaluation expenditure	19,252	40,277	1,193	60,722
Total assets	627,376	51,493	44,160	723,029

	6 Months to June 30, 2010			
	Kinsevere	Mutoshi	Other	Total
Sales	29,110	905	-	30,015
Cost of goods sold	(22,080)	(745)	-	(22,825)
Gross profit	7,030	160	-	7,190
General, administrative and marketing costs	(242)	(1,440)	(6,427)	(8,109)
Other expenses	(43)	(1)	(451)	(495)
	6,745	(1,281)	(6,878)	(1,414)
Add back aAmortization	7,811	643	611	9,065
Adjusted EBITDA	14,556	(638)	(6,267)	7,651
Property, plant and equipment	399,954	9,388	4,746	414,088
Exploration and evaluation expenditure	19,236	40,231	1,082	60,549
Total assets	510,141	52,571	75,318	638,030

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

NOTES TO THE FINANCIAL STATEMENTS

The Executive Committee assesses the performance of each operating segments 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 EBITDA to profit before income tax is provided as follows:

	3 Months Ended June 30		6 Months Ended June 30	
	2011	2010	2011	2010
Profit / (loss) before finance items and tax	(7,654)	10,610	25,603	7,101
Amortization and depreciation expense	4,154	4,245	7,717	9,064
Other income	(93)	(17)	(1,852)	(142)
Share of loss / (gain) in associate	-	226	(1,116)	226
Fair value gain on warrants carried at fair value through profit and loss	(1,240)	(9,912)	(793)	(4,198)
Loss / (gain) on derivative instruments	(193)	757	107	409
Gain on discontinuation of equity accounting	-	-	(28,842)	-
Write back of provision for impairment	-	(3,904)	-	(4,809)
Adjusted EBITDA	(5,026)	2,005	824	7,651

5. Other Income

	3 Months Ended June 30		6 Months Ended June 30	
	2011	2010	2011	2010
Gain / (loss) on sale of assets	33	16	1,671	(4)
Gain on discontinuation of equity accounting*	-	-	28,842	-
Write back provision for impairment	-	3,904	-	4,809
Other miscellaneous income	60	-	181	147
	93	3,920	30,694	4,952

* The gain relates to Anvil's investment in Mawson West. Refer Note 10.

6. Income Tax Benefit

The income tax benefit of \$7.0 million for the current quarter and \$10.2 million for the half year, relates to tax losses which are expected to reduce future taxable income within the relevant tax jurisdiction.

7. Cash and Cash Equivalents

	June 30	December 31
	2011	2010
Cash at bank and in hand	28,276	30,896
Deposits at call	152	25,519
	28,428	56,415

NOTES TO THE FINANCIAL STATEMENTS

8. Trade and other Receivables

	June 30 2011	December 31 2010
Trade receivables (net of provision for doubtful debts)	16,342	6,116
Accrued interest income	8	98
Advances to suppliers and contractors	2,318	68
Current portion of long-term receivable – SNEL	3,771	2,538
Prepayments	3,596	2,224
Other	1,912	1,944
	27,947	12,988

Trade receivables are unsecured and subject to interest charges for any advances received from the customer prior to settlement of final invoicing. Trade receivables in relation to sale of copper in concentrate are on terms common in the commodities, which usually require final settlement within two to four months following the date of shipment. Trade receivables in relation to sales of cathode copper, are usually settled between 45 and 75 days from 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 required power for the operation of the Kinsevere Stage II SX-EW plant.

9. Other Financial Assets

	June 30 2011	December 31 2010
Derivative financial instrument at fair value through profit and loss	75	182
Non-current available-for-sale investments	25,752	-
	25,827	182

The available-for-sale investments represent shares held in Mawson West Ltd. ("Mawson West"). The available-for-sale investment is measured at fair value, as per the share price listed on the Toronto Stock Exchange ("TSX"). The investment has no fixed maturity date and is intended to be held for more than a year. At June 30, 2011, a loss of \$16.1 million was recorded in other comprehensive income representing the fall in current fair value of Mawson West shares.

10. Investment in Associate

	June 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 a Canadian initial public offering ("IPO") of 30,000,000 ordinary shares at a price of CAD\$2.00 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 available-for-sale investment (refer Note 9).

NOTES TO THE FINANCIAL STATEMENTS

Movements in carrying amounts

	June 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 AFS investments	(13,043)	-
Carrying value at end of the period	-	11,927

11. Long-term Receivable

	June 30 2011	December 31 2010
Receivable from SNEL – Ruashi Project	14,311	14,253

The Group entered into a joint venture agreement with Ruashi to construct infrastructure necessary to ensure supply of the required power for the operation of the Kinsevere Stage II SX-EW plant. Under the terms of this agreement, Anvil agreed to provide \$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

	June 30, 2011		
	Cost	Accumulated depletion, amortization and write-down	Net book value
Kinsevere¹			
Land and buildings	6,128	(3,040)	3,088
Plant and equipment	73,428	(67,324)	6,104
Mine property	134,423	(26,677)	107,746
Capital work in progress	386,343	-	386,343
	600,322	(97,041)	503,281
Mutoshi²			
Land and buildings	2,270	(731)	1,539
Plant and equipment	6,740	(11,137)	(4,397)
Mine property	12,151	(3,711)	8,440
Capital work in progress	4,650	-	4,650
	25,811	(15,579)	10,232
Other³			
Land and buildings	3,025	(1,035)	1,990
Plant and equipment	4,868	(4,110)	758
Capital work in progress	502	-	502
	8,395	(5,145)	3,250
Total property, plant and equipment	634,528	(117,765)	516,763

NOTES TO THE FINANCIAL STATEMENTS

Property, Plant and Equipment (continued)

	December 31, 2010		
	Cost	Accumulated depletion, amortization and write-down	Net book value
Kinsevere¹			
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
Mutoshi²			
Land and buildings	2,270	(730)	1,540
Plant and equipment	6,935	(11,332)	(4,397)
Mine property	12,151	(3,711)	8,440
Capital work in progress	4,638	-	4,638
	25,994	(15,773)	10,221
Other³			
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 carrying value of property, plant and equipment at Kinsevere 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. Capital work in progress at Kinsevere includes capitalized borrowing costs of \$2.8 million, less net contribution of \$17.7 million from sale of cathode during the testing and commissioning phase, in accordance with International Accounting Standard 16 (IAS 16).
2. 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.
3. 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

	June 30 2011	December 31 2010
Current portion of long-term debt at end of period	13,060	4,649
Long-term debt at end of period	38,978	31,829
	52,038	36,478

NOTES TO THE FINANCIAL STATEMENTS

14. Financial Liabilities

	June 30 2011	December 31 2010
Warrants at fair value through profit and loss	18,641	38,669

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

Risk- free interest rate:	1.46%
Expected life:	14 months
Expected volatility	53.0%

15. Provisions

	June 30 2011	December 31 2010
Employee benefits – current	2,680	2,634
Employee benefits – non-current	152	144
Mine rehabilitation and closure provision – non-current	21,265	20,847
	24,097	23,625

16. Commitments**(a) Exploration Expenditure Commitments**

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

(b) Kinsevere mine

The outstanding capital commitments of the Kinsevere mine contracted for as at June 30, 2011 were \$12.6 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 June 30, 2011 the amount to be repatriated was nil (December 31, 2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

17. Earnings Per Share from Continuing Operations

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

	3 Months Ended June 30, 2011		
	Loss \$	No. of Shares	\$ per Share
Basic loss per share from continuing operations	(832)	156,221,107	(0.01)
Diluted loss per share from continuing operations	(832)	156,221,107	(0.01)

	3 Months Ended June 30, 2010		
	Profit \$	No. of Shares	\$ per Share
Basic profit per share from continuing operations	15,096	150,324,384	0.10
Diluted profit per share from continuing operations	15,096	154,159,389	0.10

	6 Months Ended June 30, 2011		
	Profit \$	No. of Shares	\$ per Share
Basic profit per share from continuing operations	36,678	156,221,107	0.23
Diluted profit per share from continuing operations	36,678	159,649,371	0.23

	6 Months Ended June 30, 2010		
	Profit \$	No. of Shares	\$ per Share
Basic profit per share from continuing operations	15,083	150,324,384	0.10
Diluted profit per share from continuing operations	15,083	154,159,389	0.10

18. Supplementary Cash Flow Information

	3 Months Ended June 30		6 Months Ended June 30	
	2011	2010	2011	2010
Changes to non-cash working capital				
Accounts receivable	(9,022)	544	(8,809)	7,123
Inventories	(10,194)	3,819	(13,399)	1,335
Prepaid expenses and deposits	13	(598)	(3,959)	(1,771)
Accounts payable and accrued liabilities	(56)	362	(9,477)	(6,761)
Income taxes	(85)	-	(25)	49
Other liabilities	(878)	(547)	(1,020)	(1,373)
	(20,222)	3,580	(36,689)	(1,398)