

Anvil Mining Limited

Condensed Consolidated Interim Financial Statements

Three months (First Quarter) ended March 31, 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	March 31 2011 \$	Dec 31 2010 (restated) \$	January 1 2010 (restated) \$
ASSETS				
Current assets				
Cash and cash equivalents	8	60,176	56,415	120,753
Restricted cash		7,323	7,314	-
Trade and other receivables	9	17,927	12,988	43,866
Inventories		17,266	14,060	14,220
Other financial assets	10	-	182	1,243
Current assets classified as held for sale		-	1,204	7,594
		102,692	92,163	187,676
Non-current assets				
Restricted cash		513	513	887
Trade and other receivables	12	15,291	14,253	18,333
Other financial assets	10	41,885	-	16,827
Investment in associate	11	-	11,927	-
Inventories		13,268	13,109	11,163
Exploration and evaluation expenditure	3(x)	60,565	60,657	60,619
Property, plant and equipment		512,405	488,703	329,622
		643,927	589,162	437,451
Total assets		746,619	681,325	625,127
LIABILITIES				
Current liabilities				
Trade and other payables		26,357	29,508	12,037
Financial liabilities	14	20,000	38,669	13,285
Borrowings	13	12,977	4,649	290
Current income taxes		81	21	6
Provisions	15	2,643	2,634	1,712
Liabilities directly associated with assets classified as held for sale		-	-	3,127
		62,058	75,481	30,457
Non-current liabilities				
Borrowings	13	38,781	31,829	74
Other non-current liability		-	-	6,711
Provisions	15	21,208	20,991	18,762
Deferred tax liabilities		7,490	10,766	21,050
		67,479	63,586	46,597
Total liabilities		129,537	139,067	77,054
Net assets		617,082	542,258	548,073

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

Notes	March 31 2011	Dec 31 2010 <i>(restated)</i>	January 1 2010 <i>(restated)</i>
	\$	\$	\$
Shareholders' equity			
Share capital	517,738	480,787	481,298
Share based payment reserve	9,776	9,413	8,960
Retained earnings	92,959	54,944	55,349
Other reserves	-	-	2,206
Capital and reserves attributable to owners of Anvil Mining Ltd	620,473	545,144	547,813
Non-controlling interests	(3,391)	(2,886)	260
Total equity	617,082	542,258	548,073

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 March 31	
		2011	2010 (restated)
		\$	\$
Continuing operations			
Revenue from sale of goods		17,564	15,486
Cost of goods sold		(10,826)	(10,778)
Gross profit		6,738	4,708
Other income	6	31,926	1,964
(Loss) / gain on derivative instruments		(300)	348
General, administrative and marketing costs		(4,361)	(4,133)
Share of gain in associate		1,116	-
Fair value loss on warrants carried at fair value through profit and loss		(447)	(5,714)
Other expenses		(91)	(269)
Profit / (loss) before finance costs and tax		34,581	(3,096)
Finance costs		(268)	(513)
Profit / (loss) before tax		34,313	(3,609)
Income tax benefit	7	3,197	3,594
Profit / (loss) for the period from continuing operations		37,510	(15)
Discontinued operation			
Loss for the period from discontinued operation		-	(134)
Profit / (loss) for the period		37,510	(149)
Other comprehensive income / (loss)			
Changes in fair value of available-for sale investments		-	(51)
Income tax		-	-
Total comprehensive income / (loss) for the period		37,510	(200)
Profit / (loss) attributable to:			
Owners of Anvil Mining Ltd		38,015	391
Non-controlling interests		(505)	(540)
		37,510	(149)
Total comprehensive income / (loss) attributable to:			
Owners of Anvil Mining Ltd		38,015	340
Non-controlling interests		(505)	(540)
		37,510	(200)
Profit / (loss) per share from continuing operations:			
Basic profit / (loss) per share (\$)	17	0.24	0.00
Diluted profit / (loss) per share (\$)	17	0.23	0.00

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

	Attributable to owners Anvil Mining Ltd				Non-controlling interest	Total
	Issued capital	Retained earnings	Share based payment 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	-	38,015	-	38,015	(505)	37,510
Other comprehensive income / (loss) for the period						
Changes in fair value of available-for sale investments	-	-	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	38,015	-	38,015	(505)	37,510
Recognition of share-based payments	-	-	801	801	-	801
Issue of ordinary shares	36,951	-	(438)	36,513	-	36,513
Balance as at March 31, 2011	517,738	92,959	9,776	620,473	(3,391)	617,082

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

	Attributable to owners Anvil Mining Ltd				Non-controlling interest	Total	
	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	-	391	-	-	391	(540)	(149)
Other comprehensive income / (loss) for the period							
Changes in fair value of available-for sale investments	-	-	-	(51)	(51)	-	(51)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	391	-	(51)	340	(540)	(200)
Recognition of share-based payments	-	-	268	-	268	-	268
Issue of ordinary shares	44	-	(14)	-	30	-	30
Share issue expenses	(300)	-	-	-	(300)	-	(300)
Amount disbursed on behalf of the Dikulushi Trusts during the period	-	-	-	-	-	335	335
Balance as at March 31, 2010	481,042	55,740	9,214	2,155	548,151	55	548,206

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	3 Months Ended March 31	
		2011	2010
		\$	\$
Cash flows from operating activities			
Profit for the period from continuing operations		37,510	(15)
Adjustments for:			
Depreciation and amortization		3,563	4,819
Provision for impairment of assets		-	(905)
Share of gain of associate		(1,116)	-
Loss / (gain) on derivative instruments		300	(348)
Gain on sale of asset		(1,638)	-
Non cash finance cost		209	480
Gain on discontinuation of equity accounting		(28,842)	-
Net exchange differences		539	(342)
Fair value loss on warrants		447	5,714
Deferred tax		(3,276)	(3,594)
Share based payment expense		(32)	268
		7,664	6,077
Changes in non-cash working capital	18	(16,467)	(4,978)
		(8,803)	1,099
Cash flows used in investing activities			
Payments for property, plant and equipment		(19,579)	(33,529)
Payments for exploration expenditure		(91)	(222)
		(19,670)	(33,751)
Cash flows (used in) / provided by financing activities			
Proceeds from issue of shares (net of issue expenses)		18,114	(271)
Payment of loan origination costs		(795)	(276)
Movement in restricted cash		(9)	(83)
Payment of borrowings		(51)	(69)
Receipts from borrowings		15,000	-
		32,259	(699)
Cash flows from discontinued operations			
Cash flows used in operating activities		-	(511)
Cash flows from financing		-	30
Net decrease in cash and cash equivalents from discontinued operations		-	(481)
Net increase / (decrease) in cash and cash equivalents		3,786	(33,832)
Cash and cash equivalents at beginning of the period		56,415	121,234
Effects of exchange rate changes on cash held in foreign currencies		(25)	40
Cash and cash equivalents at end of the period for continuing operations		60,176	87,442
Less cash & cash equivalents at the end of the period relating to discontinued operations		-	(2)
Cash and cash equivalents at end of the period		60,176	87,440

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 and 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 condensed interim consolidated financial statements. In these consolidated interim financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

Financial statement presentation

These consolidated interim financial statements have been prepared in accordance with the requirements of IFRS applicable to the preparation of consolidated interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 4, the Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows including the nature and effect of significant changes in accounting policies from those used in the company’s consolidated interim financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these consolidated interim financial statements have been restated to give effect to these changes.

The policies applied in these consolidated interim financial statements are based on IFRS issued and effective as at June 9, 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 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.

3) Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated interim financial statements are described below.

a) Basis of Consolidation

The financial statements of the Group include the consolidation of Anvil and all of its subsidiaries. The subsidiaries include those entities that are controlled by the parent entity (being Anvil). Control exists if Anvil has the power and ability to govern the financial and operational policies of the respective entities, generally accompanying a shareholding of more than one-half of the voting rights, so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control until the date when such control ceases. Where the Group has less than 100% interest in a subsidiary, the interest attributable to outside shareholders is reflected in non-controlling interests shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively. Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in full.

b) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee.

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 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 considered by management in preparing the consolidated financial statements is described below.

NOTES TO THE FINANCIAL STATEMENTS*i) Estimated mineral reserves*

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

ii) Impairment of non-current assets

In accordance with IAS 36, the Group assesses annually whether there are any indicators of impairment in relation to non-current assets. Where such indicators are present, the carrying amount of the non-current asset or group of assets being tested for impairment is compared to its recoverable amount, being the higher of fair value less costs to sell or value in use. Determining recoverable amount requires the use of management estimates and assumptions relating to future cash flows expected to arise from the asset or group of assets and a suitable discount rate in order to calculate present value, where required. When these assumptions become known in the future, and to the extent that they differ from the assumptions made, such differences will impact the recoverable amount of non-current assets.

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

The Group's management determines the useful lives of property, plant and equipment and mine properties based on a combination of applicable mine life, or where shorter for property, plant and equipment, the relevant lives described in Note 3(n).

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

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

iv) Income tax

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

Utilisation of tax losses depends on the ability of the entity to satisfy whether it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

v) Valuation of warrants

Anvil determines the fair value of warrants classified as liabilities at fair value through profit or loss using the Black-Scholes Model. Note 14 provides detailed information about the key assumptions used in the determination of the fair value of warrants.

vi) Mine rehabilitation and closure provision

Anvil annually assesses the appropriateness of the mine rehabilitation and closure provision recognised. Significant judgement is required in determining the mine rehabilitation and closure provision, including management estimates in relation to the amount and timing of expected cash flows and the determination of a suitable discount rate in order to calculate the net present value of the mine rehabilitation and closure liability at reporting date. When these assumptions become known in the future, and to the extent that they differ from the assumptions made, such differences will impact the amount of the mine rehabilitation and closure provision recognised.

d) Foreign currency translations*i) Functional and presentation currency*

Items included in the consolidated interim financial statements for each entity of the consolidated group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency is the principal currency that influences sales prices; labour, material and other costs and the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company. The consolidated interim financial statements are presented in US dollars, which is the Company's functional currency and presentation currency.

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

NOTES TO THE FINANCIAL STATEMENTS

Non-monetary items that are measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of income and statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange difference are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to the statement of income, as part of the gain or loss on sale where applicable.

e) Revenue recognition and measurement

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

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

f) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated interim financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS**g) Impairment**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments with maturity of three months or less from the date of original issue. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position. Where restrictions over the ability to access cash and cash equivalents exist, the amounts are recorded in Restricted Cash and are presented as current or non-current assets, where this most appropriately reflects the period of restriction.

i) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less any provisions for impairment. Trade receivables are generally due for settlement within 60 days. The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

j) Inventories*i) Ore and copper concentrate inventories*

Inventories of broken ore and concentrate are physically measured or estimated and valued at the lower of cost and net realizable value ("NRV"). Cost represents weighted average cost and includes direct costs and an appropriate portion of directly attributable fixed and variable overhead expenditure. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

ii) Consumable supplies inventories

Inventories of consumable supplies and spare parts are to be used in production are valued at the lower of cost and NRV. Obsolete or damaged inventories are valued at net realizable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to

NOTES TO THE FINANCIAL STATEMENTS

dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of Comprehensive Income.

l) Investments and other financial assets**Classification**

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 9) and long term receivables (Note 12) in the Statement of Financial Position.

iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Measurement

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.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale reserve is reclassified to profit or loss.

m) Investments in associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

The use of equity method of accounting an investment in which the group holds significant influence will discontinue from the date it ceases to have significant influence and the group will subsequently account for the investment under IAS39 Financial Instruments: Recognition and Measurement.

NOTES TO THE FINANCIAL STATEMENTS

Upon the loss of significant influence in an Associate, the group recognises in profit or loss any difference between:

- a) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and
- b) the carrying amount of the investment at the date when significant influence is lost.

n) Property, plant and equipment

i) Mining Properties

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

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

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

The net carrying value of each mine property is assessed annually to determine whether there are any indicators of impairment. Where such indicators are present, the carrying amount of the mine property is compared to its recoverable amount, being the higher of fair value less costs to sell or value in use. If the carrying amount of the mine property exceeds its recoverable amount, an impairment loss is recognised for the difference in profit or loss.

ii) Other Property, Plant and Equipment

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

The expected useful lives are as follows:

- mine buildings – the shorter of applicable mine life on units-of-production basis and 30 years
- fixed plants – the shorter of applicable mine life on units-of-production basis and 30 years
- mobile machinery and equipment – the shorter of applicable useful life and seven years, depending on the nature of the asset.

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

Residual values and useful lives are reviewed and adjusted as required, at the end of each reporting period.

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The net carrying value of the asset or group of assets is compared to its recoverable amount, being the higher of fair value less costs to sell or value in use. If the carrying amount of the asset or group of assets exceeds its recoverable amount, an impairment loss is recognised for the difference in profit or loss.

Construction in progress is accumulated and carried forward at cost until the asset is in a condition necessary for it to be capable of operating in the manner intended by management, at which time the asset is transferred to the appropriate category of property, plant and equipment and is amortized over its expected useful life. Costs associated with the commissioning of an asset are capitalized until the commissioning has been completed.

o) Trade and other payables

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

p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. Where there is no evidence that it is probable that some or all of the

NOTES TO THE FINANCIAL STATEMENTS

facility will be drawn down, the fee is capitalised as a prepayment to the extent to which there is a future economic benefit for liquidity services and amortised over the period of the facility to which it relates.

i) Transaction costs

Costs incurred (including the fair value of shares and options granted) to obtain long-term debt or finance facilities are deferred and amortized using the effective interest method, on its drawdown. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

ii) Borrowing costs

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

q) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

r) Mine rehabilitation and closure provision

The Company assesses its mine rehabilitation and closure provision annually. The mine rehabilitation and closure provision is recorded at fair value which is based on the estimated future cash flows required to settle the provision discounted at an interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. That is, the provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. The provision is adjusted for changes in the expected amounts and timing of cash flows required to discharge the provision and accreted over time to its full value. The initial recognition of, and changes to estimated future costs are capitalized as part of the carrying amount of the related asset and amortized over the expected useful life of the asset. The accretion expense is included as a finance cost in the statement of comprehensive income.

s) Employee benefits*i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market assessments of the time value of money.

iii) Share-based payments

Share based awards may be provided to directors and employees via a range of share-based payment plans.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

NOTES TO THE FINANCIAL STATEMENTS

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

iv) *Profit-sharing and bonus plans*

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

t) **Share Warrants**

In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the company's functional currency, 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*. 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.

u) **Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

v) **Earnings / (loss) per share**

i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than common shares;
- By the weighted average number of common shares outstanding during the financial year.

ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential common shares; and
- The weighted average number of additional common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

w) **Derivative activities**

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently measured at their fair value at each reporting date. The resulting gain or loss is recognized in the Statement of Comprehensive Income immediately unless the derivative is designated and effected as a hedge instrument, in which event, the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. For the purpose of this report, no derivative financial instruments qualify for hedge accounting.

x) **Exploration, evaluation and development expenditure**

The Group's accounting policy for exploration and evaluation expenditure has been amended in the current financial year to reflect management's view that capitalisation of exploration and evaluation expenditure should only commence when there is a high degree of confidence in the related project's viability and therefore that it is probable that future economic benefits will flow to the Group as a result of the exploration and evaluation expenditure incurred. Previously, exploration and evaluation expenditure was initially accumulated separately for each area of interest and assessed for impairment in subsequent periods.

It is managements' view that the revised policy provides more relevant and reliable financial information for the users of the financial statements as it takes into account the inherent uncertainty in relation to some exploration and evaluation expenditure. Under the revised policy, management defines exploration expenditure as that which relates to the initial search for deposits with economic potential. These costs are most likely to be expensed as they are yet to provide a high degree of confidence that the cost has economic potential. Evaluation expenditure is defined by management as that which arises from a detailed assessment of deposits or other projects that have been identified as having economic potential. These costs are more likely to qualify for capitalization.

The revised accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 and therefore comparative information for prior periods has been presented as if the amended accounting policy had always been applied.

NOTES TO THE FINANCIAL STATEMENTS

The impact of the change in accounting policy as at January 1, 2010, March 31, 2010 and December 31, 2010 is a decrease in the carrying value of capitalised exploration, evaluation and development expenditure within the Statement of Financial Position of \$1.8 million, \$2.0 million and \$0.8 million respectively with a corresponding decrease in retained earnings. There was no impact on income taxes previously recognised as the change in accounting policy adjusted the balance of deferred tax assets that have not previously been recognised as they did not meet the recognition criteria in accordance with IAS 12.

The carrying values of capitalised evaluation amounts are reviewed quarterly by management and the results of these reviews are reported to the Audit committee. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

y) Accounting Standards issued but not yet applied

i) IFRS 9 Financial Instruments – classification and measurement

International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”), for financial liabilities was issued in December 2010. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through the statement of income or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in the statement of income. However, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

ii) IFRS 10 Consolidated Financial Statements

International Reporting Standard 10, Consolidated Financial Statements (“IFRS 10”) has been issued and is effective for periods beginning on or after 1 January 2013. This standard will replace all of the existing guidance on control and consolidation in IAS 27, Consolidated and separated financial statements and SIC12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so the same criteria are applied to all entities to determine control and includes detailed guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The changed definition is not expected to result in widespread change, although for some entities where this does represent a change, the change could be significant. The core principle that a consolidated entity presents a parent entity and its subsidiaries as if they are a single entity remains unchanged, as do the mechanics of consolidation. The Company does not expect the impact of the standard to be significant.

iii) IFRS 11 Joint Arrangements

International Reporting Standard 11, Joint Arrangement (“IFRS 11”) has been issued and is effective for periods beginning on or after 1 January 2013. The new rules are aimed at providing investors with greater clarity about a participant’s involvement in a joint arrangement.

The key change in relation to the participant’s contractual rights and obligations arising from their joint arrangements will determine the accounting under IFRS 11 rather than the arrangement’s legal form.

The main differences in the new standard are as follows:

- the definition of a joint arrangement, under IFRS 11, is when two or more parties contractually agree to share control of an arrangement. Joint control exists only when the decisions about the relevant activities (those that significantly affect the returns of an arrangement) require unanimous consent of the parties sharing control
- the new rules classify joint arrangements as either a joint operation or a joint venture
- the legal structure of an arrangement is no longer the most significant factor when determining the classification. All parties must determine the type of joint arrangement based on the contractual rights and obligations arising from the arrangement the old rules gave entities the option of either proportionate consolidation or equity accounting for joint ventures. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. In contrast, entities involved in a joint operation are required to account for their rights and obligations to the assets (including assets held jointly), liabilities (including liabilities incurred jointly) and corresponding revenues and expenses.

The Company does not expect the impact of the standard to be significant.

iv) IFRS 12 Disclosure of interests in other entities

International Reporting Standard 12, Disclosure of interest in other entities (“IFRS 12”) has been issued and is effective for periods beginning on or after 1 January 2013. IFRS 12 sets out the required disclosures for entities reporting under the two new standards IFRS 10 and IFRS 11 *Joint arrangements*.

NOTES TO THE FINANCIAL STATEMENTS

The new rules also replace the disclosure requirements currently found in IAS 28 *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet this objective, disclosures are required in the areas outlined below and the required disclosures in these areas are expected to result in companies facing increased disclosure requirements. The Company does not expect the impact of the standard to be significant.

v) IFRS 13 Fair value measurements

International Reporting Standard 13, Fair value measurements ("IFRS 13") has been issued and is effective for periods beginning on or after 1 January 2013. The guidance in IFRS 13 does not apply to transactions within the scope Leases, or certain other measurements that are required by value (for example, value in use in IAS 36 *Impairment of assets*).

The guidance in IFRS 13 is quite extensive and some of the key provisions in the standard are included as follows:

- fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value of a liability therefore reflects non-performance risk (that is, own credit risk)
- fair value measurement is to assume that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market is the market with the greatest volume and level of activity for the asset or liability that can be accessed by the entity
- fair value is measured using the same assumptions and taking into account the same characteristics of the asset or liability as market participants would. Fair value is a market based, not entity specific, measurement
- for non-financial assets only, the fair value is determined based on the highest and best use of the asset as determined by a market participant
- the use of bid prices for asset positions and ask prices for liability positions is permitted if those prices are most representative of fair value in the circumstances, but it is not required
- the three-tier fair value hierarchy is maintained, based on the inputs to the valuation techniques. Each fair value measurement is categorised based on the lowest level input that is significant to it.

Anvil uses fair value measurements in the preparation of its financial statements and consequently will be subject to the new requirements.

NOTES TO THE FINANCIAL STATEMENTS

4. TRANSITION TO IFRS

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

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

(a) Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in Note 4(e)
IFRS exemption options	
<p>i. Deemed cost of property, plant and equipment</p> <p>IFRS 1 includes an optional exemption that relieves first-time adopters from the requirement to recreate cost information for property, plant and equipment, investment property and intangible assets. When the exemption is applied, deemed cost is the basis for subsequent depreciation and impairment tests. Deemed cost is defined by IFRS 1 as "the amount used as a surrogate for cost or depreciated cost at a given date".</p> <p>Application of this exemption as applicable to Anvil is described in Note 4(e)(iii).</p>	(iii)
<p>ii. Share based payment transactions</p> <p>IFRS 1 includes two exemptions for equity-settled transactions:</p> <ul style="list-style-type: none"> • first-time adopters are not required to apply IFRS 2 for equity-settled share-based payments granted on or before 7 November 2002; and • first-time adopters are not required to apply IFRS 2 to share-based payments granted after 7 November 2002 that vested before the date of transition to IFRSs. <p>Application of this exemption as applicable to Anvil is described in Note 4(e)(iv).</p>	(iv)
<p>iii. Decommissioning liabilities included in the cost of property, plant and equipment</p> <p>Under the exemption, a first-time adopter may elect not to comply with the requirements of IFRIC 1 for changes in decommissioning liabilities that occurred before the date of transition to IFRSs. The exemption from full retrospective application means that first-time adopters will not need to estimate what provision would have been calculated at earlier reporting dates. Instead, the decommissioning liability is calculated at the date of transition and it is assumed that the same liability (adjusted only for the time value of money) existed when the asset was first acquired/constructed.</p> <p>Application of this exemption as applicable to Anvil is described in Note 4(e)(v).</p>	(v)
<p>iv. Cumulative translation differences</p> <p>Under the exemption, a first-time adopter may elect not to calculate the translation difference related to foreign operations retrospectively. Instead, an entity may reset translation differences at the date of transition, determined in accordance with previous GAAP, to zero. The requirements of IAS 21 are then applied prospectively from the date of transition.</p> <p>Application of this exemption as applicable to Anvil is described in Note 4(e)(viii)</p>	(viii)
IFRS mandatory exceptions	
<p>v. Estimates</p> <p>Hindsight is not used to create or revise estimates. The estimates previously made by Anvil under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.</p>	n/a

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

NOTES TO THE FINANCIAL STATEMENTS

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

	Note 4(e)	December 31, 2010			March 31, 2010			January 1, 2010		
		Canadian GAAP*	Adjustments	IFRS	Canadian GAAP*	Adjustments	IFRS	Canadian GAAP*	Adjustments	IFRS
ASSETS										
Current assets										
Cash and cash equivalents		56,415	-	56,415	87,440	-	87,440	120,753	-	120,753
Restricted cash		7,314	-	7,314	-	-	-	-	-	-
Trade and other receivables		12,988	-	12,988	24,698	-	24,698	43,866	-	43,866
Inventories		14,060	-	14,060	13,229	-	13,229	14,220	-	14,220
Other financial assets		182	-	182	1,602	-	1,602	1,243	-	1,243
Current assets classified as held for sale	(vii)	-	1,204	1,204	1,729	5,855	7,584	2,114	5,480	7,594
		90,959	1,204	92,163	128,698	5,855	134,553	182,196	5,480	187,676
Non-current assets										
Restricted cash		513	-	513	970	-	970	887	-	887
Trade and other receivables		14,253	-	14,253	19,114	-	19,114	18,333	-	18,333
Investments in associates		11,927	-	11,927	-	-	-	-	-	-
Other financial assets		-	-	-	17,563	-	17,563	16,827	-	16,827
Inventory		13,109	-	13,109	11,963	-	11,963	11,163	-	11,163
Exploration and evaluation expenditure*		60,657	-	60,657	60,544	-	60,544	60,619	-	60,619
Property, plant and equipment	(iii), (v)	482,570	6,133	488,703	377,632	4,970	382,602	324,562	5,060	329,622
Non-current assets classified as held for sale	(vii)	1,204	(1,204)	-	5,531	(5,531)	-	5,156	(5,156)	-
		584,233	4,929	589,162	493,317	(561)	492,756	437,547	(96)	437,451
Total assets		675,192	6,133	681,325	622,015	5,294	627,309	619,743	5,384	625,127

* Restated for the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 3 (x)

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

NOTES TO THE FINANCIAL STATEMENTS

(b) Effect of IFRS adoption on the statement of financial position (continued)

	Note 4(e)	December 31, 2010			March 31, 2010			January 1, 2010		
		Canadian GAAP*	Adjustments	IFRS	Canadian GAAP*	Adjustments	IFRS	Canadian GAAP*	Adjustments	IFRS
LIABILITIES										
Current liabilities										
Trade and other payables		29,508	-	29,508	19,225	-	19,225	12,037	-	12,037
Current income tax		21	-	21	54	-	54	6	-	6
Financial liabilities at fair value through profit or loss	(ii)	-	38,669	38,669	467	18,413	18,880	586	12,699	13,285
Provisions		2,634	-	2,634	1,685	-	1,685	1,712	-	1,712
Borrowings		4,649	-	4,649	295	-	295	290	-	290
Liabilities directly associated with assets classified as held for sale	(vii)	-	-	-	1,175	1,365	2,540	1,764	1,363	3,127
		36,812	38,669	75,481	22,901	19,778	42,679	16,395	14,062	30,457
Non-current liabilities										
Deferred tax liabilities		10,751	15	10,766	17,450	5	17,455	21,048	2	21,050
Other non-current liabilities		-	-	-	-	-	-	6,711	-	6,711
Provisions	(v)	13,538	7,453	20,991	12,702	6,267	18,969	12,858	5,904	18,762
Borrowings		31,829	-	31,829	-	-	-	74	-	74
Liabilities directly associated with assets classified as held for sale	(vii)	-	-	-	1,370	(1,370)	-	983	(983)	-
		56,118	7,468	63,586	31,522	4,902	36,424	41,674	4,923	46,597
Total liabilities		92,930	46,137	139,067	54,423	24,680	79,103	58,069	18,985	77,054
Net assets / (liabilities)		582,262	(40,004)	542,258	567,592	(19,386)	548,206	561,674	(13,601)	548,073

* Restated for the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 3 (x)

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

NOTES TO THE FINANCIAL STATEMENTS

(b) Effect of IFRS adoption on the statement of financial position (continued)

	Note 4(e)	December 31, 2010			March 31, 2010			January 1, 2010		
		Canadian GAAP*	Adjustments	IFRS	Canadian GAAP*	Adjustments	IFRS	Canadian GAAP*	Adjustments	IFRS
EQUITY										
Amount attributable to owners of the parent										
Share capital	(ii)	500,876	(20,089)	480,787	501,130	(20,089)	481,041	501,387	(20,089)	481,298
Retained earnings*	(ii), (v),(vi), (viii)	74,300	(19,356)	54,944	54,479	1,262	55,741	48,302	7,047	55,349
Reserves	(viii)	9,972	(559)	9,413	11,928	(559)	11,369	11,725	(559)	11,166
		585,148	(40,004)	545,144	567,537	(19,386)	548,151	561,414	(13,601)	547,813
Non-controlling interest		(2,886)	-	(2,886)	55	-	55	260	-	260
Total equity		582,262	(40,004)	542,258	567,592	(19,386)	548,206	561,674	(13,601)	548,073

* Restated for the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 3 (x)

NOTES TO THE FINANCIAL STATEMENTS

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

	Note 4(e)	December 31, 2010 \$	March 31, 2010 \$	January 1, 2010 \$
Equity				
Equity as reported under Canadian GAAP*		582,262	567,592	561,674
IFRS adjustments increases / (decreases):				
Warrants	(ii)	(38,669)	(18,413)	(12,699)
Mine rehabilitation and closure provision	(v)	(1,320)	(968)	(900)
Deferred income tax liability	(vi)	(15)	(5)	(2)
Equity as reported under IFRS		542,258	548,206	548,073

* Restated for the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 3 (x)

	Note 4(e)	Year ended December 31 2010 \$	3 months ended March 31, 2010 \$
Profit			
As reported under Canadian GAAP*		23,922	5,585
Increases / (decreases) in net income for:			
Unwind of Rehabilitation provision	(v)	93	23
Depreciation on Rehabilitation provision asset	(v)	(190)	(89)
Profit / loss on sale of discontinued operation	(v)	(331)	(2)
Other expenses	(v)	8	-
Fair value adjustment on warrants	(ii)	(25,970)	(5,714)
Deferred tax expense	(vii)	(13)	(3)
As reported under IFRS		(2,481)	(200)

* Restated for the change in accounting policy in relation to exploration and evaluation expenditure as described in Note 3 (x)

(d) 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.

(e) Explanatory notes

i. Functional currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Based on an assessment performed for each group entity, Anvil has determined that the appropriate functional currency of each entity within the Anvil Group is USD.

NOTES TO THE FINANCIAL STATEMENTS

ii. Financial instruments

The warrants issued to Trafigura entitle the holder (Trafigura) 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 USD20.1m, an increase in retained earnings of USD7.4m and the recognition of a financial liability of USD12.7m 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:

	Year ended December 31, 2010	3 months ended March 31, 2010	Balance at January 1, 2010
	\$	\$	\$
Warrants: fair value adjustment			
Impact on profit or loss – (gain) / loss	25,970	5,714	-
Carrying amount of liability at end of period	38,669	18,413	12,699

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

iii. Property plant and equipment

The accounting for property, plant and equipment (PPE) under IAS 16 *Property, Plant and Equipment* (IAS 16) is broadly consistent with Anvil's accounting policies previously adopted under Canadian GAAP. The standard requires that where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Canadian GAAP requires that the cost of an item of PPE made up of significant separable component parts is allocated to the component parts when practicable. The concept of practicability is not specifically mentioned in IAS 16.

While the requirements are similar, there is a common view that implementing this element of IFRS requires more detailed accounting records than were maintained under Canadian GAAP. Anvil has performed an analysis of fixed asset registers across all entities and has not identified any adjustments required to the componentization of PPE as the existing accounting records are considered sufficiently detailed for the purpose of IFRS compliance.

Anvil has elected to apply the available deemed cost exemption as allowed under IFRS 1 for selected items of PPE. In addition, Anvil has performed an impairment review of all assets as at January 1, 2010 and has not noted any material impairment adjustments to the carrying amount of PPE at that date.

iv. Share based payments

Anvil has elected to apply the available exemption from full retrospective application as allowed under IFRS 1. In accordance with the exemption, Anvil is not required to apply IFRS 2, *Share-based Payment* for equity-settled share-based payments granted before 7 November 2002, or granted after 7 November 2002 that vested before the date of transition to IFRS.

On review of Anvil's share-based payment transactions within the scope of IFRS 2 that vest after the date of transition to IFRS, no adjustments have been identified on IFRS transition.

NOTES TO THE FINANCIAL STATEMENTS

v. 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 remeasured 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:

	Year ended December 31, 2010	3 months ended March 31, 2010 ^(A)	Balance at January 1, 2010 ^(A)
	\$	\$	\$
Rehabilitation provision			
Impact on profit or loss – net (gain) / loss	420	68	-
Impact on retained earnings (decrease)	-	-	(900)
Carrying amount of liability at end of period	(20,847)	(20,335)	(20,125)
Carrying amount of asset at end of period	14,089	13,218	13,371

(A) – Including amounts attributable to discontinued operations

vi. Deferred Income Tax

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

	Year ended December 31, 2010	3 months ended March 31, 2010 ^(A)	Balance at January 1, 2010 ^(A)
	\$	\$	\$
Rehabilitation provision	(15)	(5)	(2)

vii. Assets held for sale

Non-current assets classified as held for sale and non-current liabilities classified as held for sale at transition date have been reclassified to current assets held for sale and current liabilities directly associated with assets classified as held for sale in accordance with the requirements of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

viii. 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 recognised as a separate component of equity. On subsequent disposal of the foreign operation, the accumulated translation differences related to the specific foreign operation are recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Mutoshi

The Group holds a beneficial interest of 70% in SMK which is the owner of the Mutoshi project, including the Stage I HMS development that processed material from the Kulumaziba river tailings deposit at the Kulu operation and the holder of other exploration tenements in the Kolwezi region. Gécamines holds the remaining 30% interest in SMK on a non-dilutable basis. This segment is currently under care and maintenance.

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 months ended March 31, 2011 and March 31, 2010 is as follows:

	March 31, 2011			
	Kinsevere	Mutoshi	Other	Total
	\$	\$	\$	\$
Segment revenue	17,564	-	-	17,564
Adjusted EBITDA	10,825	(136)	(3,080)	7,609
Total Assets	588,423	51,444	106,752	746,619

	March 31, 2010			
	Kinsevere	Mutoshi	Other	Total
	\$	\$	\$	\$
Segment revenue	15,421	65	-	15,486
Adjusted EBITDA	7,902	593	(1,821)	6,674
Total Assets	488,572	53,951	84,786	627,309

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:

NOTES TO THE FINANCIAL STATEMENTS

	March 31, 2011	March 31, 2010
	\$	\$
Adjusted EBITDA	7,609	6,674
Amortization and depreciation expense	(3,563)	(4,819)
Finance costs	(268)	(513)
Interest income	1,324	415
Share of gain in associate	1,116	-
Fair value loss on warrants carried at fair value through profit and loss	(447)	(5,714)
(Loss) / gain on derivative instruments	(300)	348
Gain on discontinuation of equity accounting	28,842	-
Profit / (loss) before income tax from continuing operations	34,313	(3,609)

6. Other Income

	3 months ended March 31	
	2011	2010
	\$	\$
Interest income	1,324	415
Gain / (loss) on sale of assets	1,638	(32)
Gain on discontinuation of equity accounting*	28,842	-
Other miscellaneous income	122	1,581
	31,926	1,964

* The gain relates to Anvil's investment in Mawson West. Refer Note 11.

7. Income tax benefit

The income tax benefit of \$3.2 million for the current quarter, relates to tax losses which are expected to reduce future taxable income within the relevant tax jurisdiction.

8. Cash and cash equivalents

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Cash at bank and in hand	60,011	30,896	20,000
Deposits at call	165	25,519	100,753
	60,176	56,415	120,753

NOTES TO THE FINANCIAL STATEMENTS

9. Trade and other receivables

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Trade receivables (net of provision for doubtful debts)	7,487	6,116	13,437
Accrued interest income	96	98	85
Advances to suppliers and contractors	68	68	1,696
Current portion of long-term receivable - Société Nationale d'Électricité ("SNEL")	2,775	2,538	1,033
Prepayments	3,596	2,224	25,899
Other	3,905	1,944	1,716
	17,927	12,988	43,866

Trade receivables are non-interest bearing and unsecured. Trade receivables are on the terms operating in the commodities industry, which usually require final settlement within two to four months following the date of shipment.

The current portion of long-term receivable represents the amount receivable from 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.

10. Other financial assets

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Derivative financial instrument	-	182	-
Current available-for-sale investments	-	-	1,243
Non-current available-for-sale investments	41,885	-	16,827
	41,885	182	18,070

The available-for-sale investments represent shares held in Mawson West Ltd. 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.

11. Investment in associate

	March 31, 2011	December 31, 2010	January 1, 2010
Mawson West Ltd ("Mawson West")			
Ownership interest	-	25.5%	-
No. of shares	-	83,070,000	-
Carrying amount	-	11,927	-

Mawson West Ltd is a copper and gold explorer listed on the Toronto Stock exchange.

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 C\$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 10). A gain on discontinuation of equity accounting of \$28.8 million has been recorded in the income statement in accordance with accounting policy Note 3(m).

NOTES TO THE FINANCIAL STATEMENTS

Movements in carrying amounts	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Opening balance	11,927	-	-
Cost of investments acquired during the period	-	12,460	-
Share of loss	1,116	(533)	-
Provision for impairment	-	-	-
Transfer to AFS investments	(13,043)	-	-
Carrying value at end of the period	-	11,927	-

12. Long term receivable

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Receivable from SNEL – Ruashi Project	15,291	14,253	18,333

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 commences in August 2011.

13. Borrowings

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Current portion of long-term debt at end of period	12,977	4,649	290
Long-term debt at end of period	38,781	31,829	74
	51,758	36,478	364

14. Financial liabilities

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Warrants at fair value through profit and loss	19,882	38,669	12,699
Derivative financial instruments	118	-	586
	20,000	38,669	13,285

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%

NOTES TO THE FINANCIAL STATEMENTS

15. Provisions

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Employee benefits – current	2,643	2,634	1,712
Employee benefits – non-current	152	144	-
Mine rehabilitation and closure provision	21,056	20,847	18,762
	23,851	23,625	20,474

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 March 31, 2011 were \$22.1 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 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 March 31, 2011 the amount to be repatriated was nil (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 March 31, 2011		
	Profit \$	No. of Shares	\$ per share
Basic profit per share from continuing operations	37,510	154,717,826	0.24
Diluted profit per share from continuing operations	37,510	158,968,648	0.23

	3 months ended March 31, 2010		
	Loss \$	No. of Shares	\$ per share
Basic and diluted loss per share from continuing operations	(15)	150,364,270	0.00

NOTES TO THE FINANCIAL STATEMENTS

18. Supplementary cash flow information

	3 months ended March 31	
	2011	2010
	\$	\$
Changes to non-cash working capital		
Accounts receivable	213	3,104
Inventories	(3,205)	991
Prepaid expenses and deposits	(3,972)	(1,173)
Accounts payable and accrued liabilities	(9,421)	(7,123)
Income taxes	60	49
Other liabilities	(142)	(826)
	(16,467)	(4,978)