

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Set out below is a review of the activities, results of operations and financial condition of Anvil Mining Limited (the "Company") and its subsidiaries (the "Group" or "Anvil") for the second quarter and six months ended June 30, 2007. This information is presented as of August 9, 2007. The discussion below should be read in conjunction with the unaudited consolidated financial statements of the Company for the second quarter and six months ended June 30, 2007 and the notes thereto. The Company's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles.*

*Capitalized terms used and not defined below have the meanings given to them in the consolidated financial statements and the notes thereto. References below to "\$" or "US dollar" refer to United States dollars. The Company uses the US dollar as its reporting currency. Certain financial information relating to Anvil Mining Limited set out below originates in Canadian dollars ("C\$"), or Australian dollars ("A\$"), and has been translated into US dollars, based on prevailing exchange rates and in accordance with note 2 to the audited consolidated financial statements for the year ended December 31, 2006.*

*Additional information relating to the Company, including the Company's most recent annual information form is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

### ***HIGHLIGHTS for the second quarter ended June 30, 2007.***

- Record net copper concentrate sales of \$65.7 million in the 2007 June quarter, an increase of 53% compared to the 2006 June quarter.
- Record net income of \$35.4 million (\$0.58 per share) in the 2007 June quarter, an increase of 57% compared to the 2006 June quarter.
- Record cash flows from operating activities, before working capital movements, of \$43.3 million (\$0.71 per share) in the 2007 June quarter, an increase of 55% compared to the 2006 June quarter.
- Quarterly production was 8,395 tonnes of copper and 583,269 ounces of silver contained in concentrates. The Dikulushi mine continued to outperform production targets, but production at the Kulu mine was below budget due primarily to the impact of artisanal mining activity.
- Stage III Dikulushi underground mine decline development had progressed to a total advance of approximately 2,000 metres by the end of the second quarter and is on target for commencement of underground mining on a production basis during the fourth quarter of 2007.
- Successful commissioning in early June of the Heavy Media Separation ("HMS") plant for the Stage I development of the Kinsevere Project, with commercial production for the plant achieved in late June.
- Completion of a bought deal equity financing that involved the issue of 12.38 million common shares at a price of C\$16.25 per share, for total gross proceeds of C\$201.2 million.
- Agreement with Sub-Sahara Resources NL ("Sub-Sahara") to acquire by way of a private placement of A\$7.2 million (90 million shares at A\$0.08) which will give the Company an 18% stake in Sub-Sahara. As at June 30, 2007, the first tranche of 60 million shares had been acquired at a value of A\$4.8 million giving the Company a 12.9% stake in Sub-Sahara.

- Entering into an option agreement to purchase two exploration licences in the Nambulwa region, located approximately 30 kilometres north of Kinsevere.
- Discovery of two new zones of oxide copper mineralization at the Kinsevere mine.
- Appointment of Ausenco Limited (“Ausenco”) as the provider of engineering, procurement and construction management (“EPCM”) services for the Kinsevere Stage II development.
- Announcement of the Military Court of the Democratic Republic of the Congo (“DRC”) that it had dismissed the charges against Anvil and three of its employees for any alleged complicity in a military action by the Forces Armées de la République Démocratique du Congo (“FARDC”) at Kilwa in the Katanga province in October, 2004.

## *1. Overview*

The Group operates in the mineral producing, development and exploration industry with a focus on base and precious metal exploration and mine development.

The Group holds a 90% beneficial interest in the Dikulushi mine and surrounding exploration areas, which are held under the terms of the Dikulushi Mining Convention (“Mining Agreement”) with the DRC Government.

The Group also has an 80% indirect interest in the Mutoshi Copper-Cobalt project in the Kolwezi region in DRC. The Mutoshi project, which is held by subsidiary Société Minière de Kolwezi sprl (“SMK”), includes the old Mutoshi mine, the Kulu mine (coarse rejects/tailings deposit), the Mutoshi Northwest prospect, the Nioka prospect, the Kamukonko cobalt prospect and areas situated on the relatively under-explored southern edge of the Kolwezi Klippe, a prominent geological feature in the area. The total area included in the Mutoshi project is 136.92 square kilometres.

The Group also has an indirect 95% interest in the mining rights of the Kinsevere-Nambulwa Exploitation Permits, held through AMCK Mining sprl (“AMCK”). The Kinsevere properties and Nambulwa properties lie approximately 30 kilometres and 55 kilometres north of the provincial capital of Lubumbashi respectively. The two Exploitation Permits, Kinsevere and Nambulwa, total 29.6 square kilometres and contain four distinct mineralized zones that outcrop at surface.

### *Dikulushi Copper-Silver mine*

The Dikulushi mine is situated in the southeast part of the DRC in the Haut Katanga District. The mine was initially established using a staged development approach. Stage I involved a 250,000 tonnes per annum HMS production circuit and the Stage II expansion comprised a 350,000 tonnes per annum ball mill and flotation circuit, replacing the HMS plant. The Stage III underground mine development, which commenced in 2006 following completion of deep drilling below the existing open pit, will come on stream during the fourth quarter of 2007, ramping up to full-scale underground production in the first quarter of 2008.

### *Kulu Copper mine*

The Kulu mine is located east of the town of Kolwezi in the southeast part of the DRC. The mine was commissioned in December 2005 following commencement of construction in July 2005. Kulu Stage I comprised the relocation of the refurbished HMS plant from Dikulushi and the construction of associated support infrastructure. The HMS plant is currently treating the coarse rejects/tailings from the Kulumaziba watercourse which were discharged from a previous operation at the Mutoshi open pit mine. Following commissioning, the HMS plant underwent an upgrade involving the installation of a scrubber and larger screen to increase throughput. This was completed during the 2006 March quarter, and resulted in a steady improvement in production,

reaching design throughput in May 2006. As the mining of the material in the watercourse has progressed further downstream, the proportion of higher-grade coarser material has reduced, as expected. It is this higher-grade, coarser material that is most suitable for HMS processing. Persistent artisanal mining activity, combined with heavy rainfall during the fourth quarter of 2006 and the first quarter of 2007 has removed and redistributed a significant amount of the coarser-grained, higher-grade fraction of the Kulu resource from upstream to locations further downstream. This has caused the Company to consider advancing the installation of a more effective processing plant, most likely to include Solvent Extraction Electro-winning (“SX-EW”). An SX-EW plant would likely have an initial capacity of 10,000 – 15,000 tonnes of cathode copper per annum.

#### *Kinsevere mine development*

The Kinsevere-Nambulwa project (“Kinsevere project”) is located in the Katanga Province in the southeast of the DRC. It is situated in the central section of the Congo Copperbelt, in an area approximately 30 to 55 kilometres north of the provincial capital, Lubumbashi.

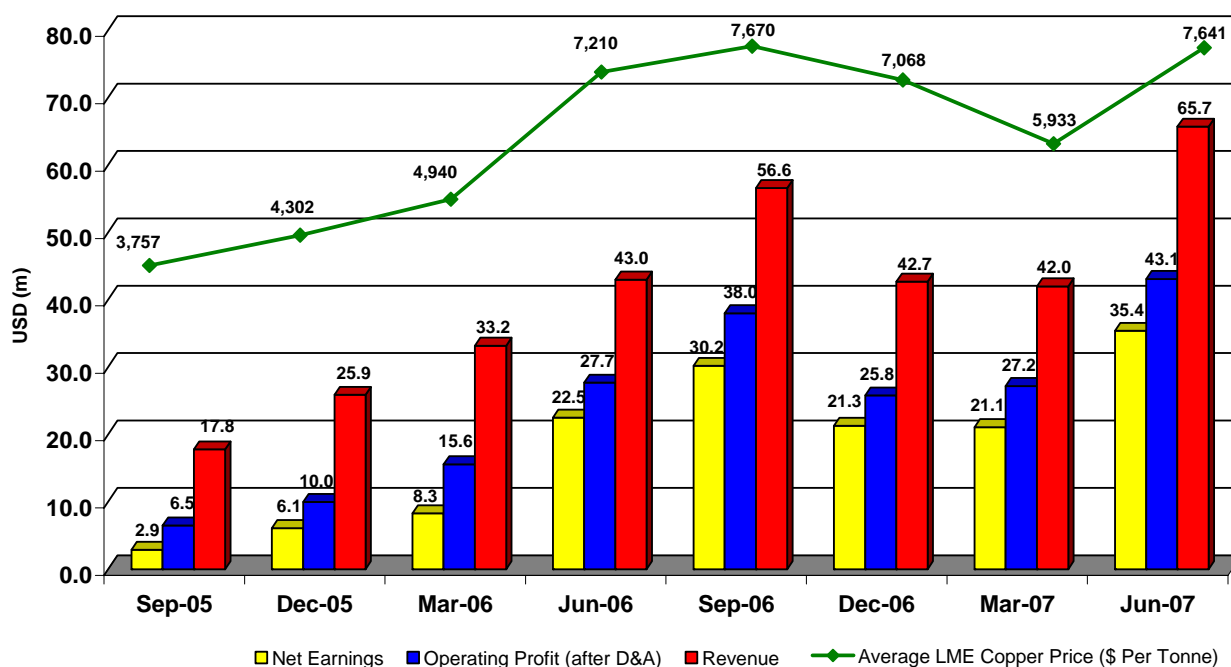
The Kinsevere project comprises two separate exploitation permits Kinsevere (PE 528) and Nambulwa (PE 539). These two exploration permits cover an area of 29.6 square kilometres. The focus of exploration to date has been the Kinsevere PE. Exploration activities at Nambulwa will be carried out during the next six months. Kinsevere (PE 528) consists of three deposits, Kinsevere, Tshifufia and Tshifuamashi and covers an area of 16.1 square kilometres. All three deposits lie within 2 kilometres of one another.

In May 2006, following completion of a feasibility study, Anvil committed to a \$35 million Stage I development at Kinsevere. The Stage I development, which comprises an HMS Plant and an Electric-Arc Furnace (“EAF”) is expected to produce approximately 23,000-25,000 tonnes per annum of “black copper” ingots assaying 90%-95% copper. The HMS Plant was successfully commissioned in June 2007 and the EAF is expected to be commissioned at year-end. For the period until the commissioning of the EAF, copper concentrates produced at Kinsevere will be sold locally.

The Stage II development, which includes construction of a 60,000 tonnes per annum SX-EW plant, is designed to produce LME Grade A quality copper cathode directly at the mine site. A feasibility study was completed in mid-April 2007 and the capital cost of \$238 million was approved by the Board of Directors in late April 2007. In early July, the Company announced the appointment of Ausenco from Australia as the provider of EPCM services for this development.

## 2. Financial Results

Chart 1: Quarterly Financial Performance



### Six Months 2007

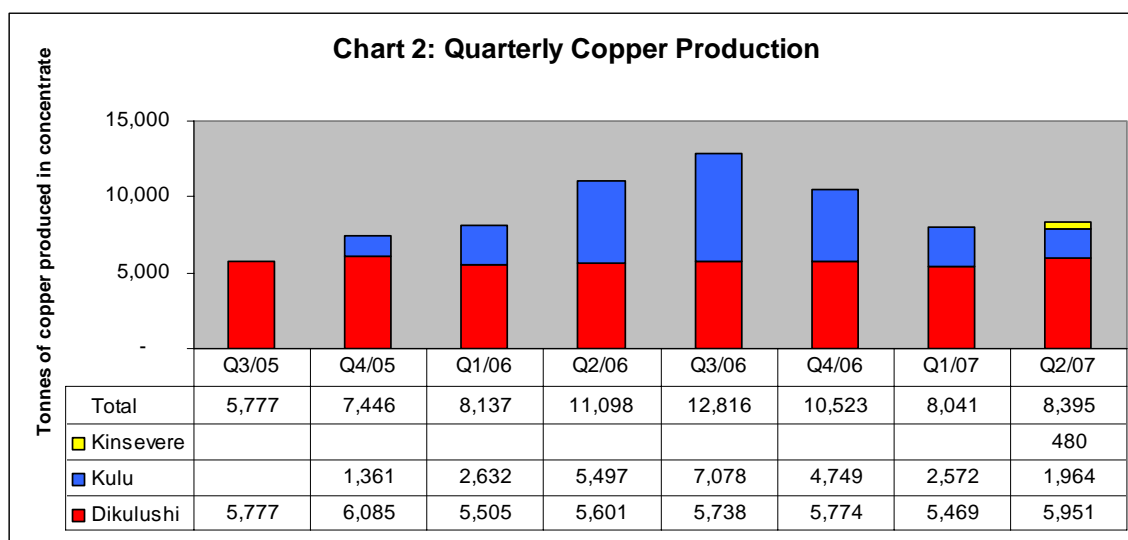
The net income for the first six months of 2007 was \$56.4 million or \$0.96 per basic share (weighted average common shares: 58,850,786) as compared to \$30.7 million or \$0.71 per basic share (weighted average common shares: 43,061,295) for the first six months of 2006. The increase in net income of 84% was due to a 12% increase in the LME cash copper price as well as a 60% increase in copper concentrate tonnes sold at Kulu and a 7% increase in copper delivered from Dikulushi. The cash flow from operations, after working capital movements, for the first six months of 2007 was \$34.4 million (2006 six months: \$15.1 million), or \$0.58 per weighted average share outstanding (2006 six months: \$0.35).

### Second Quarter 2007

The net income for the quarter was \$35.4 million or \$0.58 per basic share (weighted average common shares: 60,946,322) as compared to \$22.5 million or \$0.42 per basic share (weighted average common shares: 53,904,850) in the second quarter of 2006. The increase in net income of 57% was due to a 6% increase in LME cash copper price as well as a 67% increase in copper concentrate tonnes sold at Kulu and a 35% increase in copper delivered from Dikulushi. The cash flow from operations, after working capital movements, for the quarter was \$18.6 million (2006 June quarter: \$14.4 million), or \$0.30 per weighted average share outstanding (2006 June quarter: \$0.27).

### 3. Production and Statement of Income Discussion

#### Copper Production



#### **Six Months 2007**

Copper production in the first six months of 2007 was 16,436 tonnes, of which 69% was from Dikulushi, 28% from Kulu and 3% from Kinsevere. Combined copper production decreased by 15% compared to the first six months of 2006, principally due to the decrease in production from Kulu as a result of lower feed grade and lower copper recoveries from processing finer grained material.

#### **Second Quarter 2007**

Copper production in the second quarter of 2007 was 8,395 tonnes, of which 71% was from Dikulushi, 23% from Kulu and 6% from Kinsevere. Combined copper production decreased by 24% compared to the second quarter of 2006, principally due to the decrease in production from Kulu as a result of lower feed grade and lower copper recoveries from processing finer grained material.

#### Revenues

**Table 1: Revenue Statistics**

	June Quarter				Six Months ended June 30			
	2007		2006		2007		2006	
	Dikulushi	Kulu	Dikulushi	Kulu	Dikulushi	Kulu	Dikulushi	Kulu
<b>Revenues (\$ million)</b>								
Copper <sup>1</sup>	47.4	10.9	33.6	4.6	75.0	19.7	57.7	9.1
Silver	7.4	-	4.8	-	13.0	-	9.4	-
<b>Total Revenue</b>	54.8	10.9	38.4	4.6	88.0	19.7	67.1	9.1
Average Realized copper price (\$ per lb)	3.43	-	3.64	-	3.24	-	2.93	-
Average Realized copper concentrate price (\$ per tonne of concentrate)	-	883	-	627	-	726	-	536
Average Realized silver price (\$ per oz)	12.52	-	11.26	-	12.94	-	10.32	-
<b>Sales Statistics</b>								
Copper (payable tonnes)	6,421	-	4,755	-	10,962	-	10,232	-
Copper Concentrate (tonnes)	-	12,292	-	7,340	-	27,117	-	16,955
Silver (payable ounces)	610,417	-	441,277	-	1,037,766	-	947,785	-

(l) Copper Revenue is defined as realized copper selling price less treatment, refining and freight charges

## **Six Months 2007**

Year to date revenues in 2007 increased by 41% over the same period in 2006 to \$107.7 million (2006 June six months: \$76.2 million). The increase was due to an increase in the average realized copper price of 11% for Dikulushi copper and an increase in the average realized copper concentrate price of 35% for Kulu copper concentrate over the same period in 2006. The tonnes of copper delivered from Dikulushi increased by 7% however the tonnes of copper concentrate sold by Kulu increased by 60% over the same period in 2006 due to sale of concentrate produced but not sold in 2006 December quarter.

## **Second Quarter 2007**

Second quarter revenues in 2007 increased by 53% over the same period in 2006 to \$65.7 million (2006 June quarter: \$43.0 million). The increase was due to an increase in the average realized copper concentrate price of 41% for Kulu copper concentrate, offset by a decrease in the average realized copper price of 6% for Dikulushi copper over the same period in 2006. The tonnes of copper delivered from Dikulushi increased by 35% however the tonnes of copper concentrate sold by Kulu increased by 67% over the same period in 2006 due to sale of all concentrate produced but not sold in 2006 December quarter.

## **Operating Expenses**

### **Six Months 2007**

Operating expenses before amortization for the six months to June 2007 were higher at \$33.4 million (2006 six months: \$29.3 million) compared to the same period in 2006. This was mainly due to the realisation of costs associated with the increased tonnage of copper concentrate sold during the current six month period compared to the same period in 2006.

The Dikulushi total cash operating cost per pound of copper produced (after silver credits) for the six months to June 2007 was \$0.55 (2006 June six months: \$1.03) due to lower smelter and refining charges negotiated in relation to current year contracts. It was also due to a lower operating cash cost (ex-mine gate) per pound of copper produced (after silver credits) of \$0.11 for the six months to June 2007 (2006 June six months: \$0.38) mainly from higher silver credits as a result of increases in the silver price and lower mining costs due to the cessation of the open pit mining operations.

The operating cash cost per tonne of oxide concentrate at Kulu for the six months to June 2007 was \$384 per tonne (2006 June six months: \$223) due to lower feed grade and lower copper recoveries from processing finer grained material.

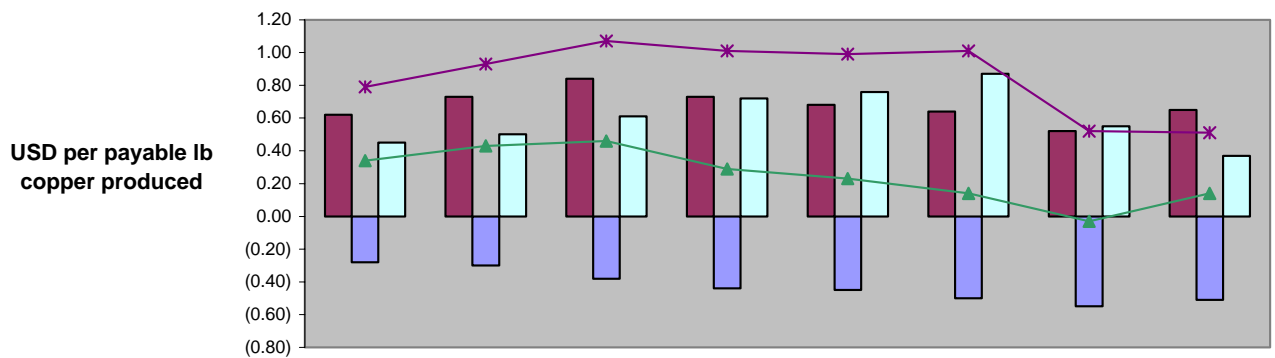
### **Second Quarter 2007**

Operating expenses before amortization for the June quarter were higher at \$20.3 million (2006 June quarter: \$13.5 million) compared to the same period in 2006. This was mainly due to the realisation of costs associated with the increased tonnage of copper concentrate sold during the current quarter compared to the same period in 2006.

The Dikulushi total cash operating cost per pound of copper produced (after silver credits) for the 2007 June quarter was \$0.51 (2006 June quarter: \$1.01) due mainly to lower smelter and refining charges negotiated in relation to current year contracts. It was also due to a lower operating cash cost (ex-mine gate) per pound of copper produced (after silver credits) of \$0.14 for the current quarter (2006 June quarter: \$0.29) mainly from higher silver credits as a result of increases in the silver price and lower mining costs due to the cessation of the open pit mining operations.

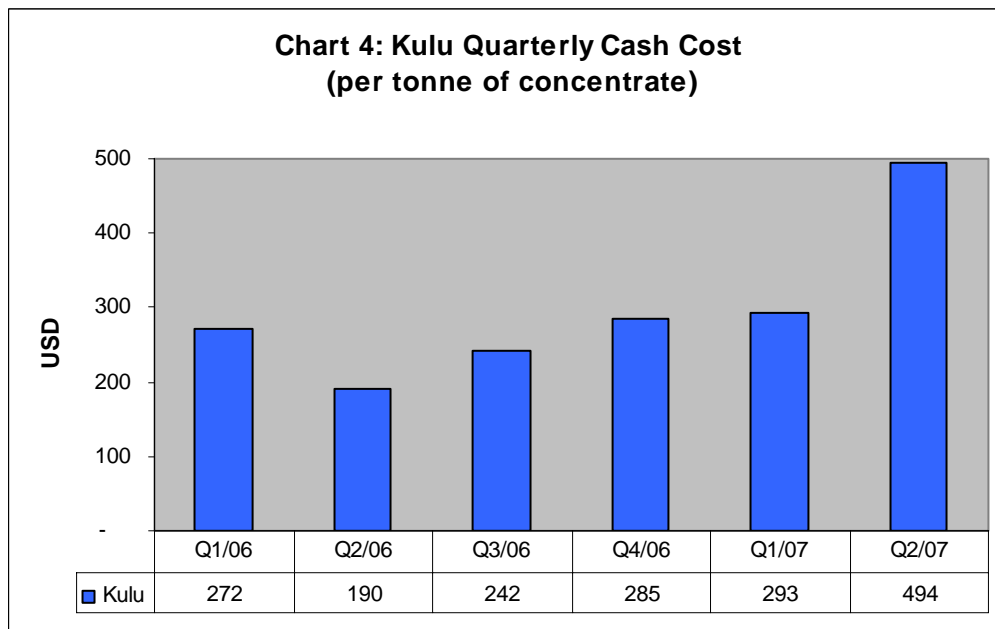
The operating cash cost per tonne of oxide concentrate at Kulu for the 2007 June quarter was \$494 per tonne (2006 June quarter: \$190) due to lower feed grade and lower copper recoveries from processing finer grained material.

**Chart 3: Dikulushi - Quarterly Cash Costs**



	Q3/05	Q4/05	Q1/06	Q2/06	Q3/06	Q4/06	Q1/07	Q2/07
<span style="color: #800000;">■</span> Mine Gate Costs	0.62	0.73	0.84	0.73	0.68	0.64	0.52	0.65
<span style="color: #0000FF;">■</span> Silver credits	(0.28)	(0.30)	(0.38)	(0.44)	(0.45)	(0.50)	(0.55)	(0.51)
<span style="color: #008000;">▲</span> Mine Gate Costs (net of silver credits)	0.34	0.43	0.46	0.29	0.23	0.14	(0.03)	0.14
<span style="color: #ADD8E6;">■</span> TC RC's - Treatment, refining and freight charges	0.45	0.50	0.61	0.72	0.76	0.87	0.55	0.37
<span style="color: #800080;">✱</span> Total Cash Costs	0.79	0.93	1.07	1.01	0.99	1.01	0.52	0.51

**Chart 4: Kulu Quarterly Cash Cost (per tonne of concentrate)**



### **Other Expenses**

#### **Six Months 2007**

General, administrative and marketing expenses for the six months to June 2007 were \$5.5 million (2006 six months: \$3.8 million) representing an increase of 43% over the same period in 2006. This is due to the recruitment of additional technical and administrative staff to support the Company's expansion.

Exploration expenditure written off of \$1.1 million for the six months to June (2006 June six months: nil) related to expenditure incurred on the Duc Bo project in Vietnam. The title to the tenement was not renewed by government authorities in Vietnam. The Company is currently in the process of reapplying for title to the tenement.

The stock based compensation cost of \$1.2 million (2006 June six months: \$0.6 million) represented an increase of 101% compared to the same period in 2006 which relates to the cost of accrued options granted to employees and directors designed as incentives for maintaining and increasing performance.

Social development costs of \$1.0 million were incurred during the six months to June 2007 (2006 June quarter: nil). The costs relate to social community programs administered by Pact Inc. ("Pact"), a Washington-based international development agency, in partnership with the Company, for the benefit of communities surrounding the Company's mine sites.

#### **Second Quarter 2007**

General, administrative and marketing expenses for the June quarter were \$3.0 million (2006 June quarter: \$2.1 million) representing an increase of 44% over the same period in 2006. This is due to the recruitment of additional technical and administrative staff to support the Company's expansion.

Exploration expenditure written off amounted to \$1.1 million for the quarter (2006 June quarter: nil) related to expenditure incurred on the Duc Bo project in Vietnam. The title to the tenement was not renewed by government authorities in Vietnam. The Company is currently in the process of reapplying for title to the tenement.

The stock based compensation cost of \$0.6 million (2006 June quarter: \$0.4 million) for the current quarter represented an increase of 82% compared to the same period in 2006 which relates to the cost of accrued option plans granted to employees and directors designed as incentives for maintaining and increasing performance.

Social development costs of \$0.5 million were incurred during the quarter (2006 June quarter: nil). The costs relate to social community programs administered by Pact, in partnership with the Company, for the benefit of communities surrounding the Company's mine sites.

#### **4. Discussion of Cash Flows**

	Second Quarter		Six months ended June 30	
	2007	2006	2007	2006
<b>Cash flows from:</b> (\$ million)				
Operating activities	18.6	14.4	34.4	15.1
Investing activities	(8.3)	(107.4)	(64.4)	(115.1)
Financing activities	176.1	14.6	173.7	125.9

#### *Cash Flow*

Cash flow from operations in the 2007 June quarter was \$18.6 million (2006 June quarter: \$14.4million), or \$0.30 per share (2006 June quarter: \$0.27). Operating cash flows were affected by an increase in accounts receivable of \$12.5 million for the quarter due to the June quarter concentrate sales revenue increasing by 53% compared to the March quarter.

Investing cash outflows were \$8.3 million, which included the payment of \$4.0 million for 60 million shares in Sub-Sahara, an ASX listed company (ASX: SBS) with interests in a number of exploration projects in Eritrea and Tanzania, countries in which Sub-Sahara has been active for

five to ten years. This investment gave the Company a 12.9% stake in Sub-Sahara. The Company incurred exploration expenditure of \$4.9 million, which includes \$2.7 million on the Kinsevere-Nambulwa tenements. Payments for property, plant and equipment of \$8.1 million for the quarter were predominantly incurred in constructing the Kinsevere mine.

Net financing cash inflows for the quarter were \$176.1 million, which included receipt of \$179.8 million, net of share issue expenses, from the bought deal equity financing completed in June. A total of 12,384,615 common shares at C\$16.25 per share were issued, for total gross proceeds of C\$201.2 million. An amount of \$2.0 million was paid during the quarter to Fortis Bank (“Fortis”), being repayment of part of the borrowings held with Fortis.

## 5. Financial Position and Liquidity

	June 30, 2007	Dec 31, 2006
<b>Assets</b> (\$ millions)		
Cash and cash equivalents (including restricted cash)	203.4	59.5
Investments	81.2	95.8
Current assets	365.4	209.9
Total assets	612.7	402.5
<b>Liabilities</b> (\$ millions)		
Current liabilities	25.4	72.5
Long-term debt	-	4.0
Total liabilities	72.4	114.4
<b>Non controlling interests</b>	12.9	8.3
<b>Shareholders' equity</b> (\$ millions)	527.4	279.8
<b>Working capital</b> (\$ millions)	340.0	137.4
Weighted average number of shares (for basic earnings per share)	58,850,786	49,729,151
Outstanding shares	70,423,594	56,707,554

### *Cash and cash equivalents*

The increase in cash and cash equivalents (including restricted cash) to \$203.4 million (December 2006: \$59.5 million) was mainly due to \$179.8 million received, net of share issue expenses, from the bought deal share issue during the quarter.

### *Current Investments*

The decrease in current investments to \$81.2 million (December 2006: \$95.8 million) was attributed to investments maturing and being converted into cash. The investments are capable of reasonably prompt liquidation, and will be converted to cash as and when the Group's funding requirements necessitate this. The Group's directors and management view these investments as a low-risk alternative to holding cash and cash equivalents. The investments are highly liquid and are intended to provide a return greater than that which would have been achieved if the funds were held as cash.

### *Current assets*

The total current assets increased by \$155.5 million to \$365.4 million (December 2006: \$209.9 million). In addition to the movement in cash and investments outlined above, there was an increase in accounts receivables to \$52.3 million (December 2006: \$29.6 million). This is due to higher copper prices combined with current year sales contracts having extended payment terms given to customers. However this has been offset by other beneficial terms agreed with customers. Prepaid expenses and deposits increased by \$3.5 million to \$10.4 million, which were

mainly amounts paid to suppliers for plant and equipment required for the Kinsevere development.

#### *Current liabilities*

Current liabilities decreased to \$25.4 million (December 2006: \$72.5 million). This was due to the reduction of \$45.0 million in the purchase consideration payable for the additional 15% interest in AMCK, as this consideration was paid in full during the March quarter. Income tax payable decreased by \$2.2 million as a result of the tax paid from operations at Kulu.

#### *Total liabilities*

Total liabilities at June 30 were \$72.4 million (December 2006: \$114.4 million). The decrease is mainly due to changes in current liabilities above, and a loan repayment of \$4.0 million to Fortis. The total loan payable to Fortis is now \$8.0 million, gross of deferred financing fees, and will be repaid over four further quarters at \$2.0 million per quarter. A liability of \$10.5 million exists for asset retirement obligations, of which \$8.8 million is estimated for the Kinsevere mine rehabilitation.

#### *Non Controlling Interests*

The increase in non-controlling interests to \$12.9 million (December 2006: \$8.3 million) at June 30 is undistributed profits attributable to non-controlling interests of \$2.1 million in SMK (December 2006: \$1.8 million) and AMC of \$10.8 million (December 2006: \$6.5 million).

#### *Shareholders' equity*

Shareholders' equity at June 30 increased by \$247.6 million to \$527.4 million as a result of:

- share capital increasing by \$190.5 million, of which \$179.8 million related to new share issues and \$9.0 million was in relation to the purchase consideration payable for the additional 15% interest investment in Kinsevere (872,093 shares at US\$10.32 per share).
- retained earnings increasing by \$56.3 million due mainly to net income from current year.

#### *Outstanding Share Data*

At August 9, 2007, the Company had outstanding 70,433,594 common shares. In addition there were outstanding 2,274,968 director and employee stock options with exercise prices ranging between C\$3.80 to C\$17.04 per share. The Company also had outstanding 600,000 share purchase warrants which are exercisable as follows:

<b>Issued</b>	<b>Expiry date</b>	<b>Number</b>	<b>Exercise price</b>
December 22, 2005	December 22, 2007	600,000	C\$6.25

## 6. Other Financial Statement Matters

### Contractual Obligations

The following table summarizes the Company's contractual and other obligations, as at June 30, 2007.

<i>Payments due by period</i>	Total	Less than	1 – 3	4 – 5	More than
	\$ million	1 year	years	years	5 years
		\$ million	\$ million	\$ million	\$ million
Long-term debt	8.0	8.0	-	-	-
Environmental and mine closure liabilities	10.5	-	0.7	0.9	8.9
Capital commitments – Dikulushi, Kulu and Kinsevere mines and Anvil Mining Services	6.6	6.6	-	-	-
Equipment operating lease	1.0	0.3	0.7	-	-
Exploration expenditure commitments	2.6	2.6	-	-	-
Purchase consideration upon acquisition of initial interest in SMK. To be paid upon transfer of tenements	1.3	1.3	-	-	-
Non-controlling interest commitments – comprises the 10% outside equity interests in the retained earnings of Anvil Congo	10.8	10.8	-	-	-

### Segment Information

The Company'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.

#### **Dikulushi copper/silver operation – 90% ownership**

The Dikulushi operation is located in the Katanga province of the Democratic Republic of Congo. The operation commenced in 2002, and produces a sulphide copper concentrate with a silver credit.

#### **Kulu copper operation – 80% ownership**

The Mutoshi operation is located in the Katanga province of the Democratic Republic of Congo. The operation commenced in 2005, and produces an oxide copper concentrate.

#### **Kinsevere copper/cobalt operation – 95% ownership**

The Kinsevere operation is located in the Katanga province of the Democratic Republic of Congo. The operation is currently being developed in two stages. Stage I will incorporate a HMS Plant (commissioned in June 2007) producing copper concentrates, and soon thereafter an EAF which will produce black copper ingots. The Stage II development will later produce LME grade A copper cathodes through an SX-EW process.

#### **Corporate development, administration and other (CDA)**

The corporate development, administration and other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting and corporate administration. It also holds the rights to mineral interests in the Philippines.

For the six months ended June 30, 2007, segmented information is presented as follows:

	<b>Dikulushi</b>	<b>Kulu</b>	<b>Kinsevere</b>	<b>CDA</b>	<b>Inter-segment</b>	<b>Six months ended June 30, 2007 Total</b>
Concentrate sales	88,040	19,692	-	-	-	107,732
Operating expenses	(20,823)	(12,546)	-	-	-	(33,369)
Amortization	(2,540)	(1,167)	-	(325)	-	(4,032)
Segmented operating profit (loss)	64,677	5,979	-	(325)	-	70,331
Interest and financing fees	-	(1,045)	-	(819)	1,045	(819)
Other income	126	-	-	7,531	(4,311)	3,346
Other expenses	(1,749)	(2,481)	-	(7,839)	3,266	(8,803)
Segmented profit before under noted items	63,054	2,453	-	(1,452)	-	64,055
Income taxes	-	(843)	-	(205)	-	(1,048)
Non-controlling interest	(6,245)	(322)	-	-	-	(6,567)
Segmented profit	56,809	1,288	-	(1,657)	-	56,440
Property, plant and equipment	25,695	12,962	56,527	5,948	-	101,132
Total assets	133,404	33,350	81,640	364,313	-	612,707
Capital expenditures	(3,961)	(739)	(25,405)	(70)	-	(30,175)

#### *Exploration and Acquisition Expenditure*

At June 30, the Company had deferred exploration and acquisition costs of \$133.2 million (December 2006: \$127.1 million), comprising exploration and acquisition expenditure on the Dikulushi mining and exploration tenements (\$3.2 million), Mutoshi mining, tailings and exploration tenements (\$32.0 million), Kinsevere-Nambulwa mining tenements (\$95.1 million) and Philippines mining and exploration tenements (\$2.9 million). A significant portion of this exploration and acquisition expenditure consists of fair value exploration property arising on the acquisition of the Mutoshi project (\$27.6 million) and Kinsevere-Nambulwa project (\$87.5 million).

#### *Philippines Evaluation and Development Agreement*

Following the completion of due diligence in December 2006, the Company elected in February 2007 to proceed with a detailed evaluation of the Itogon Suyoc Resources Inc. ("Itogon") mineral properties in the Philippines. The Company made a cash payment of \$2.0 million to Itogon on February 16, 2007 and will provide a minimum of \$2.0 million in exploration funding and use its best efforts to complete the detailed evaluation within a two-year period.

#### *Social and Community Development Programs*

In conjunction with the Company's social development partner, Pact, the Company's social development projects continue to address the local communities' needs for basic infrastructure and economic development. To increase the sustainability of these initiatives, Anvil and Pact held constructive discussions with the Ministries of Health and Education on the government's long term role in relation to the staffing and operating costs for such infrastructure projects.

At Kinsevere, additional water bores were drilled, bringing the total to 13 wells in 12 communities. Fourteen kilometres of road improvements were completed, thus enabling people to move and transport their goods with ease between villages and to market. This contributes to the region's economic diversification and supports other small enterprise projects underway through

the Pact – Anvil partnership, such as vegetable market gardens, aggregate production, brick making and fish farming.

The jointly funded Multilateral Investment Guarantee Agency / Anvil Voluntary Principles Collaboration project commenced during the second quarter and a diagnostic study has been completed. The study will result in a practical guide for the comprehensive implementation of the Voluntary Principles for Human Rights and Security (“Voluntary Principles”) for Anvil. While this will act as a valuable guide for Anvil, it can also assist other similarly sized mining companies that are looking for practical approaches to support the use of the Voluntary Principles.

Looking forward, the third quarter will be focused on the construction of additional schools, health clinics and water bores, and on discussions with donors regarding the development of a coordinated response to the broader regional infrastructure requirements of the Katanga province.

## **7. Outlook**

### *Dikulushi*

The Dikulushi mine is expected to produce 24,000 tonnes of copper and 2,000,000 ounces of silver, contained in concentrates, for 2007. Open pit mining at Dikulushi ceased in November 2006, and all feed to the plant continued to be sourced from the Run-of-Mine stockpiles of blended high-grade and low-grade ore, which are expected to provide sufficient ore to adequately maintain current levels of copper production until the underground mine comes on stream during the fourth quarter of 2007, ramping up to full-scale underground production in the first quarter of 2008.

During the 2007 June quarter, work progressed on the development of the Stage III underground mine development. At the end of the June quarter, the decline had progressed to a total advance of approximately 2,000 metres.

### *Kulu*

Artisanal mining activity, combined with heavy rainfall during the fourth quarter of 2006 and the first quarter of 2007 has removed and redistributed to locations further downstream, a significant amount of the coarser-grained, higher-grade fraction of the Kulu resource leaving behind a finer lower-grade fraction which has lower metallurgical recoveries through an HMS plant. In order to gain a better understanding of the redistribution that has resulted from artisanal mining activity and erosion, a surveying and sampling program is underway and should be completed towards the end of 2007. A new enlarged desliming screen, which is expected to be installed early in the third quarter of 2007, is expected to improve throughput and concentrate production. The bank of spirals installed and commissioned during June produced only minimal improvement in recovery.

While enhancements of the HMS plant, including installation of a new enlarged desliming screen, are expected to increase throughput and concentrate production, the year-to-date production shortfall at Kulu will not be recouped at Kulu by year-end and therefore it is estimated that the revised 2007 copper production target will be 9,000 tonnes of copper compared to the original target of 15,000 tonnes.

The floats and tailings from the HMS operation, which are being stored in a retention dam for subsequent reprocessing, still average approximately 3% copper. Furthermore, the Kulu resource is a loose gravel which can be mined without the need for any waste stripping or drill and blast activities. It also has low gangue-acid consumption characteristics which support a simple whole-ore-leach approach and SX-EW processing which is expected to achieve metallurgical recoveries of over 90%. The Company believes that construction of an expandable SX-EW plant, with an initial capacity of 10,000 to 15,000 tonnes of contained copper per year would be the best option

for reprocessing the coarse rejects/tailings and optimizing the value of the Kulu deposit. A pre-feasibility study for such a development is currently being carried out and this should be completed during the third quarter.

#### *Kinsevere*

Stage I development of Kinsevere, which comprises the establishment of an open pit mining operation and the construction of an HMS plant and EAF is approximately 86% complete. The HMS plant was successfully commissioned in June 2007 and the EAFs should be commissioned at year-end.

The 120 KV power line which will link Kinsevere to the DRC national hydro-electric grid is nearing completion. All poles have been installed, approximately 20 kilometres of conductor has been strung and civil works on the construction of the switchyard are well underway, with completion expected during the third quarter of 2007, ready to provide power to the EAFs.

Open pit mining on both the Tshifufia and Tshifufiamashi deposits continued at full capacity during the June quarter. Advance waste stripping at the Tshifufia pit has been completed and as a result the Company now has significant flexibility with respect to the blending of ore feed to the HMS plant. The tailings dams have been completed and will allow for storage of the floats from the plant for subsequent re-processing through the Stage II SX-EW plant.

With above target production being consistently achieved at the Dikulushi mine, and the Kinsevere mine commencing production in June 2007, the Company is targeting approximately 45,000 to 50,000 tonnes of copper production for 2007.

#### **8. Critical accounting estimates**

The accounting policies that involve significant management judgement are discussed in this section. For a complete list of the significant accounting policies, reference should be made to Note 2 of the December 31, 2006 consolidated financial statements and Note 1 of the June 30, 2007 unaudited interim consolidated financial statements. A more detailed analysis of the risk factors that face the Group can be found in the most recent annual information form available on SEDAR at [www.sedar.com](http://www.sedar.com):

#### *Impact of the new financial instruments accounting standards*

On January 1, 2007, the Group adopted, on a prospective basis, two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants (“CICA”). The standards require a greater portion of the consolidated balance sheet to be measured at fair value. With the exception of the Group’s investments, changes in the fair values over the reporting period of impacted balance sheet items are reported in income. The changes in the fair values of the Group’s investments are reported in Accumulated Other Comprehensive Income (“AOCI”), a new component of shareholders’ equity. For further details, refer to Note 1 of the Group’s interim consolidated financial statements as at June 30, 2007.

*Impact of the transition adjustment on selected Consolidated Balance Sheet line items*

	Transition adjustment as at January 1, 2007 \$ '000
Investments	56
Retained Earnings	(190)
Accumulated Other Comprehensive Income	615
Cumulative Translation Adjustments	(559)

At December 31, 2006, the Group had \$0.791 million of capitalized financing fees that related to the loans payable to Fortis Bank. Changes to the CICA standards since this date have allowed the Group to offset these fees against the loans payable to Fortis, and to amortise these fees over the term of the loan using the effective interest rate. This treatment was adopted prospectively but calculated retrospectively, and as a result, the Group has recognised an expense that related to the 2006 year of \$0.190 million. This has been recorded as an adjustment to the opening Retained Earnings available to shareholders as at January 1, 2007.

The Group has recognised in the AOCI, for the six months ended June 30, 2007, \$0.0840 million, net of taxes, related to the net unrealized gain on available-for-sale financial assets. A net unrealized gain of \$0.127 million was recorded as an adjustment to the opening balance of the AOCI, and a net unrealized gain of \$0.713 million was recorded for the six months ended June 30, 2007 through OCI. The Group has also reclassified \$0.559 million to the opening balance of the AOCI relating to net foreign currency gains that were previously treated as a separate item of equity in the Shareholders' Equity.

*Mine properties*

The Group adopts a unit-of-production method to depreciate its mine properties. This method requires estimates of economically recoverable reserves of the Group's mine properties. Independent qualified surveyors and geologists are engaged to estimate the economic recoverable reserves. The estimation process involves sampling and other statistical tools to estimate the amount of recoverable reserves.

Variations in the calculated estimate of the recoverable reserves from period to period when the recoverable reserves are re-calculated affect both the carrying value of plant, property and equipment as well as the depreciation charges for any given financial period.

*Exploration Costs*

The Group accumulates certain costs associated with exploration activities on specific areas of interest where the Group has rights of tenure. The Group's policy is to expense any exploration and associated costs relating to non-specific projects and properties. Significant property acquisition, exploration, evaluation and development costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned or placed into production. No costs are deferred on a mineral property that is considered to be impaired in value. As at June 30, 2007, the Group has deferred exploration and acquisition costs of approximately \$133.2 million associated with exploration properties in Africa and Southeast Asia.

*Restoration, rehabilitation and environmental expenditure*

Expenditures related to ongoing restoration, rehabilitation and environmental obligation activities are accrued and expensed as incurred and included in the relevant exploration activity

cost or as part of the cost of production where the expenditures are in relation to current mining operations.

Future restoration, rehabilitation and environmental obligations based on reasonably determinable current regulatory requirements are provided for in accordance with the standard issued by the CICA in relation to Asset Retirement Obligations.

#### *Income Taxes*

The Company follows CICA 3465 “Income Taxes”.

As at June 30, 2007, the Group has estimated its future recoverable income tax losses in Canada, Australia, the DRC and Zambia. The recoverability of losses is dependent upon the ability to generate positive future taxable income to offset the existing carry forward losses.

Under the Mining Convention (“Convention”) granted by the DRC Government, the Dikulushi mine operations in the DRC currently enjoy a concessionary tax benefit of reduced income tax rates for the first fifteen years from the date of first commercial mine production, which commenced in October 2002. The tax concessionary rates based on the applicable DRC Professional income tax rate of 40% which was in effect when the Convention was granted are as follows:

<u>Period</u>	<u>% of Professional Tax Rate</u>	<u>Effective income tax rate</u>
First five years of production	0%	0%
Sixth through to tenth years of production	40%	16%
Eleventh through to fifteenth years of production	45%	18%
Thereafter	100%	30%

As from October 2007, the Dikulushi operations will have completed its initial 5 year period and will then be subject to income tax at a rate of 16% for the ensuing 5 years.

#### **9. Estimates**

Financial statements which are prepared in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

#### **10. Risks and Uncertainties**

The Group’s operations and results are subject to a number of different risks at any given time. These risk factors include, but are not limited to disclosure regarding the speculative nature of mineral exploration and development, political stability, liquidity and future financings, logistics, lack of infrastructure, uninsurable risks, mineral resources and ore reserves, uncertainty of inferred resources, mine life, licences and permits, land title, government regulations, foreign operations, environmental and regulatory requirements, conflict of interests, limited operating history, volatility of copper and silver prices, key personnel, labour and employment matters, subsidiaries, mineral exploration and mine carrying inherent risks, currency risk, competition, dilution, and dividend policy. A more detailed analysis of the risk factors the Group is faced with can be found in the most recent annual information form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 11. Summary of Quarterly Results (Unaudited)

The financial performance, financial position and operating statistics for the last eight quarters are shown in the table below.

Statement of Operations and Income	Jun 07 Quarter	Mar 07 Quarter	Dec 06 Quarter	Sep 06 Quarter	Jun 06 Quarter	Mar 06 Quarter	Dec 05 Quarter	Sep 05 Quarter
Concentrate sales (\$ millions) <sup>1</sup>	65.7	42.0	42.7	56.6	43.0	33.2	25.9	17.8
Operating profit <sup>2</sup> before amortization (\$ millions)	45.3	29.0	27.7	40.1	29.5	17.4	11.9	7.8
Amortization (\$ millions)	(2.2)	(1.8)	(1.9)	(2.1)	(1.8)	(1.8)	(1.9)	(1.3)
Operating profit <sup>2</sup> (\$ millions)	43.1	27.2	25.8	38.0	27.7	15.6	10.0	6.5
Net income (\$ millions)	35.4	21.1	21.3	30.2	22.5	8.3	6.1	2.9
Basic earnings per share (\$)	0.58	0.37	0.38	0.54	0.42	0.26	0.21	0.10
Diluted earnings per share (\$)	0.57	0.36	0.37	0.53	0.41	0.25	0.20	0.10
<b>Production Statistics – Total</b>								
Copper produced in concentrates (tonnes)	8,395	8,041	10,523	12,816	11,098	8,137	7,446	5,777
<b>Production Statistics – Dikulushi mine</b>								
Ore processed (tonnes) <sup>3</sup>	85,480	87,262	92,755	114,154	135,234	128,259	127,222	120,822
Copper grade %	7.68	7.03	6.92	5.61	4.64	4.95	5.54	5.52
Contained copper (tonnes)	6,564	6,138	6,417	6,409	6,278	6,352	7,049	6,663
Recovery Cu %	90.7	89.1	89.9	89.5	89.1	86.7	86.3	86.7
Copper produced in concentrates (tonnes)	5,951	5,469	5,774	5,738	5,601	5,505	6,085	5,777
Silver produced in concentrates (ounces)	583,269	537,858	569,655	545,438	526,513	532,842	587,882	586,875
Payable pounds of copper contained in concentrate delivered (millions)	14.1	10.0	13.0	12.2	10.4	12.1	12.9	10.4
Payable ounces of silver contained in concentrate delivered	610,417	427,349	563,754	491,242	441,277	506,508	542,029	432,447
<b>Production Statistics – Kulu mine</b>								
Ore processed (tonnes) <sup>3</sup>	74,987	80,245	92,509	82,424	80,848	51,808	17,981	
Copper grade %	4.59	6.03	7.61	8.20	8.54	7.95	7.67	
Contained copper (tonnes)	3,446	4,847	7,038	6,757	6,920	4,118	1,379	
Recovery Cu %	44.5	52.8	62.6	70.1	72.6	58.0	51.6	
Copper produced in concentrates (tonnes)	1,964	2,572	4,749	7,078	5,497	2,632	1,361	
Copper concentrate sold (tonnes)	12,292	14,825	10,641	19,131	7,340	9,615		
<b>Production Statistics – Kinsevere mine</b>								
Ore processed (tonnes) <sup>3</sup>	8,367							
Copper grade %	9.02							
Contained copper (tonnes)	754							
Recovery Cu %	63.7							
Copper produced in concentrates (tonnes)	480							

<sup>1</sup> Concentrate sales include copper and silver concentrates from Dikulushi and copper concentrates from Kulu

<sup>2</sup> Refer to Non-GAAP Financial Measures on page 18

<sup>3</sup> Ore processed at Dikulushi relates to ore processed through the ball mill and flotation plant, while ore processed at Kulu and Kinsevere relates to ore processed through the HMS plant.

## ***12. Additional Notes***

### *Deed of Cross Guarantee*

For the purpose of simplifying reporting in Australia, Anvil Mining Limited and certain of its Australian incorporated subsidiaries entered into a Deed of Cross Guarantee and Deed of Variation (the “Deeds”) under which each company guarantees the liabilities of all other companies that are a party to the Deeds. The companies which form this “Closed Group” (as defined by Australian Securities and Investments Commission Class Order 98/1418) are: Anvil Mining Limited, Anvil Mining Management NL, Central African Holdings Pty Ltd, Congo Development Pty Ltd, Anvil Mining No 2 Pty Ltd, Anvil Mining No 3 Pty Ltd, Leda Mining Pty Ltd and Bannon Mining Pty Ltd.

### *Technical Information*

Information of a scientific or technical nature in this management discussion and analysis and financial review has been prepared under the supervision of Bill Turner, President and Chief Executive Officer of Anvil Mining Limited, a Fellow of the Australasian Institute of Mining and Metallurgy, who has more than five years experience in the field of the activity reported herein and is a qualified person under Canadian National Instrument 43-101.

The information in this management discussion and analysis that relates to in-situ Mineral Resources is based on information compiled by Gerry Fahey of FinOre Pty Ltd. Gerry Fahey is a Chartered Professional and a member of the Australasian Institute of Mining and Metallurgy, and a member of the Australian Institute of Geoscientists, and has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Qualified Person in terms of the Canadian National Instrument 43-101. Gerry Fahey consents to the inclusion of such information in this news release in the form and context in which it appears. The information in this news release that relates to engineering and construction works at Kinsevere has been reviewed by Mike Newman, Anvil’s Vice President Project Development. Mike Newman is a Chartered Engineer and a member of the Institute of Mechanical Engineers. Mike Newman has consented to the inclusion of such information in this news release in the form and context in which it appears.

### *Non-GAAP Financial Measures*

The terms “total cash cost” and “operating cash cost (ex-mine gate)” are used on a per pound of payable copper produced basis and after by-product silver credits are applied. The operating cash cost (ex-mine grate) per payable pound of copper produced is equivalent to the costs of mining and processing operations incurred (after net credits for silver revenues) for the period divided by the number of payable pounds of copper produced during the period. The total cash cost of production per payable pound of copper produced is equivalent to the ex-mine gate cash cost including the relevant unit transport, smelting and refining and realization costs (after net credits for silver revenues) for the period divided by the number of payable pounds of copper produced during the period. Cash operating cost information is included to provide information about the cost structure of the mining and processing operations. The term “operating profit” represents the net attributable revenues after deducting mine operating costs and amortization. The mine operating costs exclude exploration expense, foreign exchange gains and losses and interest and financing fees. The term working capital equals current assets less current liabilities.

The term cash flow from operations per share, before changes in non-cash working capital, is based on a calculation using the weighted average number of common shares outstanding during the period.

This information differs from measures of performance determined in accordance with generally accepted accounting principles (“GAAP”) in Canada and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP and may not be comparable to similarly titled measures of other companies.

#### *Evaluation of Disclosure Controls & Procedures*

The Company’s certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational conditions impacting disclosure with respect to the six months and quarter ended June 30, 2007. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level. The management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

During the most recent quarter end there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### *Forward Looking Statements*

The forward-looking statements made in this Management’s Discussion and Analysis are based on assumptions and judgements of management regarding future events and results. Such forward-looking statements, including but not limited to those with respect to the Company’s plans for expansions of the Kinsevere copper mine and estimated future production at the Company’s Dikulushi, Kulu and Kinsevere mines, involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of copper, changes in project parameters as plans continue to be evaluated, and the possibility of cost overruns, as well as those factors disclosed in the Company's filed documents. There can be no assurance that the Stage II expansion of the Kinsevere copper mine will proceed as planned or be successfully completed within expected time limits and budgets or that, when completed, the expanded facility will operate as anticipated.