

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Fourth Quarter Ended December 31, 2008

Set out below is a review of the activities, results of operations and financial condition of Anvil Mining Limited (the "Company") and its subsidiaries (collectively, the "Group" or "Anvil") for the fourth quarter and year ended December 31, 2008. The discussion below should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2008 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 ("Canadian GAAP").

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 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, 2008.

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) under the Company's profile.

This management's discussion and analysis of financial condition and results of operations is as of March 17, 2009.

### Summary of current position and outlook

As a result of events during the second half of 2008, most notably a sharp fall in the copper price, highly illiquid capital markets and a deterioration in the outlook for global economic growth, Anvil put in place a strategy appropriate for the current circumstances to best position itself to be able to continue with the development of its Kinsevere Stage II Solvent Extraction-Electrowinning ("SX-EW") plant, should funding become available in 2009.

As a result, the Company has implemented a number of initiatives to reduce operating costs and preserve cash, including:

- o Placing the fabrication and construction works associated with the Kinsevere Stage II SX-EW development on hold until additional finance is available and there is greater certainty in global financial and commodity markets.
- o Suspension of concentrate production, postponement of underground development work and initiation of a care and maintenance program at the Dikulushi mine.
- o Cessation of the Heavy Media Separation ("HMS") processing operations at the Mutoshi mine.
- o Cutting operating and administrative costs to the minimum necessary to support essential operations with the Company's workforce reduced from 2,200 employees in November 2008 to the current level of 360 employees, with the Board, senior management and staff making a personal contribution to the efforts to lower costs with a 20% reduction in salaries and fees and no bonuses to be paid for 2008.
- o Curtailment of all but essential capital spending and suspension of all exploration activity.
- o Evaluation of the impact on productivity of refurbishment works carried out on the Electric-Arc Furnace ("EAF") at Kinsevere Stage I during February and March 2009, with a decision on the continued operation of the EAF expected by the end of the first quarter of 2009.
- o Consideration of the possibility of restarting the Kinsevere HMS plant and producing an oxide concentrate from existing Run of Mine ("ROM") stockpiles which currently amount to in excess of 250,000 tonnes at a grade of more than 5.0% copper. This could produce more contained copper and higher cash flow at lower risk than the EAF.

In addition to the above initiatives, the Company has reached agreement with *La Générale des Carrières et des Mines* ("Gécamines") and the Government of the Democratic Republic of Congo ("DRC") on the terms of its Kinsevere "Contrat d'Amodiation" (Lease Agreement) and the Dikulushi Mining Convention.

The Company remains committed to the development of its Stage II 60,000 tonnes per year Solvent Extraction-Electrowinning ("SX-EW") plant at Kinsevere and is reviewing suitable arrangements under which construction works could recommence as quickly as possible should the necessary funding be secured. The estimated timeframe for completion of construction, dry commissioning, and hydraulic testing for readiness to receive ore, is approximately twelve months from award of contract.

The Company does not currently have sufficient cash or debt facilities to fund the completion of the development of the Kinsevere Stage II SX-EW processing plant. The Company requires additional funding of approximately \$200 million, which if not raised, will result in project delays. However, the Company is continuing to make progress in obtaining the required funding. Since finalizing documentation relating to the DRC Mining Review negotiations in January 2009, work has recommenced on updating the previously completed consultant's technical due diligence report for the banks. When completed, this report will form the basis for financiers to seek

credit approval for the debt facility. It is anticipated that this process will take approximately two to three months before credit approval is sought.

While the Company is aiming to have financing arranged in time to allow for the recommencement of construction works on the Kinsevere Stage II SX-EW development during the second half of 2009, with commissioning of the plant approximately twelve months thereafter, there is no assurance that negotiations with financiers will be concluded successfully or within a reasonable time frame and as a result, the Company may be required to raise additional equity or sell its available-for-sale investments.

In addition to its working capital requirements, the Company currently has capital commitments of approximately \$25 million over the remainder of the year that relate to the SX-EW processing plant development, with a further \$200 million required to complete the construction and commissioning of this plant, based on current estimates.

As at March 17, 2009, Anvil had approximately \$25 million in cash, \$24 million in available-for-sale investments and \$7 million of receivables that it expects to realize during April and May of 2009. The Board of Directors has authorized management to explore opportunities to liquidate the available-for-sale investments. The Company currently has only \$700,000 of long-term debt.

The recoverability of capitalized costs in relation to the Group's current operations in the DRC is dependent on the ability of the Group to successfully build and operate the Kinsevere Stage II SX-EW processing plant. The amounts shown as Inventories, Prepaid expenses and deposits, Exploration and acquisition expenditure, Property, plant and equipment represent costs capitalized to date, less amounts recovered or written off.

In addition to its working capital requirements, the Company currently has capital commitments of approximately \$25 million over the remainder of the year that relate to the SX-EW processing plant development, with a further \$200 million required to complete the construction and commissioning of this plant, based on current estimates.

The Group's ability to continue as a going concern is dependent upon its ability to fund its working capital, complete the construction of the Kinsevere Stage II SX-EW plant and generate positive cash flows from these operations. The Group's financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

### **Key points for the quarter**

- Financial results for the fourth quarter 2008 were impacted by one-off charges totalling \$143.0 million as follows:
  - Provision for impairment of assets at the Company's DRC mining operations of \$73.2 million;
  - A write-down of \$28.8 million in the value of exploration carried in the balance sheet;
  - Provision of \$23.7 million for impairment of available-for-sale investments;
  - Provision for doubtful debts of \$7.8 million;
  - Severance payments and demobilization costs of \$8.8 million incurred as a result of the suspension of construction works at Kinsevere Stage II and placing operations on care and maintenance; and
  - An impairment of \$0.7 million in connection with the write-down of the value of the Company's investment in Sub Sahara Resources NL ("Sub-Sahara").
- Net copper sales of \$13.9 million, a decrease of 83% compared to the fourth quarter 2007.
- Net loss of \$151.2 million (-\$2.12 per share), compared to net income of \$21.7 million (\$0.31 per share) in the fourth quarter of 2007.
- Negative cash flows from operating activities, before working capital movements, of \$26.1 million (-\$0.37 per share), compared to positive cash flow of \$46.7 million (\$0.66 per share) in the fourth quarter of 2007.
- Quarterly production of 7,488 tonnes of copper and 174,463 ounces of silver produced in concentrate, a decrease of 56% and 76% respectively compared to the fourth quarter of 2007.
- Kinsevere Stage II SX-EW development placed on hold until adequate funding secured.
- Mining operations and operation of the HMS plant at Kinsevere suspended during the fourth quarter of 2008.
- Suspension of concentrate production, postponement of underground development work and initiation of a care and maintenance program at its Dikulushi mine in December 2008.
- Cessation of HMS processing operations at the Mutoshi mine.

### **Key points for the year**

- Production of 41,354 tonnes of copper, a decrease of 13% compared to 2007.
- Net sales of \$191.2 million, a decrease of 27% compared to the same period of 2007.
- Operating profit before severance and demobilization costs of \$5.8 million, a decrease of 96% compared to 2007.
- Net loss of \$138.5 million or -\$1.95 per share, a decrease of 218% compared to 2007.

- Operating cash flow before working capital movements of \$33.8 million or \$0.47 per share.
- Total one-off charges of \$151.0 million, comprised of assets (\$73.2m), exploration (\$31.3m), available-for-sale investments (\$26.3m), severance payments and demobilization costs (\$8.8 million), trade receivables (\$7.8m), and equity accounted investments (\$3.6m).

#### Near term objectives (next six months)

- Finalization of debt funding for the Kinsevere Stage II development and recommencement of construction works.
- Preservation of the Company's cash reserves.
- Reaching agreement with Gécamines regarding the Group's Mutoshi mineral properties.
- Completion of a further updated Mineral Resource and Reserve for Kinsevere.

#### Longer term objectives (2009 onwards)

- Completion of construction and commissioning of the Kinsevere Stage II SX-EW plant.
- Completion of a pre-feasibility study for the Mutoshi Stage II SX-EW project.
- Completion of preliminary studies on the mining and processing of the sulphide resource at Kinsevere.

#### Key Group results

Fourth Quarter (Q4)		Q4 2008		Q4 2007	
			% of Sales		% of Sales
Production	t Cu	7,488		16,878	
Sales <sup>1</sup>	t Cu	6,672		14,585	
Concentrate stockpiles	t Cu	5,961		6,031	
Net sales	\$ million	13.9	100	79.3	100
Operating (loss) / profit	\$ million	(50.1)	(361)	44.2	56
Net (loss) / income	\$ million	(151.2)	(1,088)	21.7	27
Basic (loss) / earnings per share	\$	(2.12)		0.31	

1. Production and sales of copper reflect Kinsevere and Mutoshi copper concentrate sold at mine gate at a discount to the London Metal Exchange ("LME") price and include blister copper grading 92-94% Cu from the Kinsevere EAF. For the fourth quarter 2008, blister copper production was 659 tonnes and 820 tonnes for the full year 2008.

Full year		2008		YTD 2007	
			% of Sales		% of Sales
Production	t Cu	41,354		47,633	
Sales <sup>1</sup>	t Cu	42,490		44,994	
Net sales	\$ million	191.2	100	263.2	100
Operating (loss) / profit	\$ million	(3.0)	(2)	160.3	61
Net (loss) / income	\$ million	(138.5)	(72)	117.2	45
Basic (loss)/ earnings per share	\$	(1.95)		1.81	

1. Production and sales of copper reflect Kinsevere and Mutoshi copper concentrate sold at mine gate at a discount to the LME price as well as blister copper produced and sold from the Kinsevere EAF.

#### Copper Production (tonnes)

	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07
Kinsevere	4,457	7,113	6,433	4,855	6,384	6,142	480	-
Dikulushi	1,743	1,813	2,607	4,885	6,943	6,198	5,951	5,469
Mutoshi <sup>1</sup>	1,288	2,392	1,481	2,287	3,551	2,432	1,511	2,572
<b>Total</b>	<b>7,488</b>	<b>11,318</b>	<b>10,521</b>	<b>12,027</b>	<b>16,878</b>	<b>14,772</b>	<b>7,942</b>	<b>8,041</b>

1. The Company has previously referred to its Stage I HMS plant that processes material from the Kulumaziba river tailings deposit as the Kulu operation. This is now referred to as Mutoshi Stage I, being part of the broader Mutoshi project that includes other exploration tenements in the Mutoshi area.

## Q4 2008 Net Sales

(After treatment and refining charges ("TC/RCs"))	Q4 2008 \$ million	Q4 2007 \$ million
Kinsevere - Copper	5.9	23.9
Dikulushi - Copper	3.3	41.8
- Silver	1.7	9.3
Mutoshi - Copper	3.0	4.2
- Cobalt	0.0	0.1
Net sales	13.9	79.3
<b>Copper selling price</b>	<b>\$/lb</b>	<b>\$/lb</b>
Current period sales <sup>1</sup>	1.55	3.27
Provisional pricing adjustment	(0.49)	(0.13)
TC/RC and freight charges	(0.08)	(0.08)
<b>Realized copper price</b>	<b>0.98</b>	<b>3.06</b>

1. Sales of copper concentrate at Kinsevere and Mutoshi and blister copper from the Kinsevere EAF are at mine gate at a discount to the LME price and recorded as sales revenue. The TC/RC and freight component is therefore difficult to extract and is thus included in the current period realized selling price. Concentrate at Dikulushi is not sold at mine gate and thus the TC/RCs and freight charges are known and separately disclosed in the calculation of the total realized copper price.

### Group net sales decrease 83% to \$13.9 million owing to lower volume of copper sold and also lower copper prices

Net sales decreased owing to a reduction in the tonnes of copper sold (down 45% to 5,743 tonnes of payable copper from sales in the fourth quarter of 2007) and a decrease in the realized copper price recognized during the quarter (down 68% compared to the fourth quarter of 2007). Group copper production was 56% lower than the fourth quarter 2007, mainly due to Dikulushi and Mutoshi being placed on care and maintenance and the suspension of mining and operation of the HMS and spirals plant at Kinsevere. Copper production at Dikulushi decreased by 75% compared to the fourth quarter of 2007 due to lower than planned tonnes mined from the underground mine that was the result of a change in the mining method for the underground mine development, which when combined with low-grade stockpiled material resulted in lower metallurgical recoveries from processing operations. Due to the decline in the copper price during the quarter and following quarter end, a provisional pricing adjustment of \$6.2 million has been recognized during the quarter (\$0.49/lbs of payable Cu).

### Kinsevere net sales decrease 75% to \$5.9 million due to a decrease in volume of concentrate sales

Net sales compared to the fourth quarter 2007 were lower as a result of a decrease in tonnes of payable copper sold (down 43%) and also a decrease in realized copper price (down 57%). This was due to decreased copper production from suspension of operations at the HMS and spirals plant in November 2008.

### Dikulushi net sales decrease 90% to \$5.0 million owing to lower volume of concentrate sales

Net sales compared to the fourth quarter 2007 decreased 90% as a result of lower payable copper sold. Copper production at Dikulushi decreased by 75% due to lower underground extraction rates, lower head grades and the mine being placed on care and maintenance in December 2008. The fall in copper prices, including provisional pricing adjustments, resulted in an 82% decrease in realized price, compared to the fourth quarter of 2007.

### Mutoshi net sales decrease 30% to \$3.0 million due to a decrease in volume of concentrate sales and lower realized copper prices

Net sales compared to the fourth quarter 2007 were lower as a result of a decrease in the realized copper prices (down 53%) offset by an increase in the quantity of payable copper sold (up 47%).

## Q4 2008 Operating (Loss) / Profit

	Q4 2008		Q4 2007	
	\$ million	% of Sales	\$ million	% of Sales
Kinsevere	(14.1)	(103)	9.7	12
Dikulushi	(16.1)	(116)	37.8	48
Mutoshi	(16.1)	(116)	1.1	1
CDA <sup>1</sup>	(3.8)	(26)	(4.4)	(5)
<b>Total Operating (Loss) / Profit</b>	<b>(50.1)</b>	<b>(361)</b>	<b>44.2</b>	<b>56</b>

1. Please refer to segment information on page 17. These are administration and technical support costs based in the DRC to support the mine operations and development.

**Group records operating loss of \$50.1 million owing to lower sales volume, lower realized copper price and higher operating costs due to operations being placed on care and maintenance.**

Group operating loss was primarily due to a fall in operating profits at all operating units. During the quarter the Company placed its Dikulushi operation on care and maintenance and ceased its HMS processing operations at Mutoshi. This has resulted in lower copper production compared to the same period last year. Operating profit at Dikulushi decreased due to lower sales volume and a decrease in realized copper prices. The operating loss at Mutoshi was due to reduced copper production and higher operating costs resulting from processing of finer-grained low-grade ore. The operating loss at Kinsevere was due to the HMS plant being placed on care and maintenance and lower sales volume with a lower realized copper price. During the quarter the Company provided for \$7.8 million towards provision for doubtful debts, mainly due to the failure of one significant customer.

**Kinsevere records operating loss of \$14.1 million due to lower sales and decreased production**

		Q4 2008	Q4 2007
Ore mined	tonnes	404,636	386,717
Ore processed <sup>1</sup>	tonnes	59,219	92,155
Feed grade	% Cu	9.9	10.3
Contained copper	tonnes	5,849	9,448
Copper recovery	%	76.2	67.6
Copper produced in concentrate	tonnes	4,457	6,384
Copper produced in blister	tonnes	659	-
Copper sold	tonnes	3,090	6,836
Operating cash cost (ex mine gate)	\$/tonne concentrate	461	262

1. Ore processed relates to ore processed through the HMS plant.

The operating cash cost of oxide concentrate at Kinsevere for the fourth quarter of 2008 was \$461 per tonne. This was higher than the comparable cash cost for the fourth quarter of 2007 mainly as a result of the decrease in production of approximately 30%. In addition, operation of the HMS and spirals plant was suspended in November 2008 resulting in demobilization and severance payments. The cost of operating the EAF was also included in the current quarter, however it was under construction in the same period last year.

**Dikulushi records operating loss of \$16.1 million on lower sales and higher operating costs**

		Q4 2008	Q4 2007
Ore mined	tonnes	19,776	10,530
Ore processed	tonnes	117,577	92,121
Feed grade	% Cu	2.3	8.1
Contained copper	tonnes	2,689	7,507
Copper recovery	%	64.8	92.5
Copper produced in concentrate	tonnes	1,743	6,943
Silver produced in concentrate	ounces	174,463	717,402
Copper sold	tonnes	2,222	6,361
Silver sold	ounces	276,639	1,801,042
Operating cash cost (ex-mine gate) (after silver credits)	\$/lb Cu	4.04	0.14
TC/RC and freight charges	\$/lb Cu	0.68	0.44
Total cash costs from operations	\$/lb Cu	4.72	0.58

Dikulushi total cash costs per pound produced from operations increased by 714% due to a combination of factors, including: higher processing costs due to lower feed grade resulting in lower recovery and production of copper as a result of processing lower-grade ore whilst the underground mine was being redeveloped in accordance with the Avoca mining method; increased costs for fuel, labour and consumables; and demobilization and severance costs as a result of the mine being placed on care and maintenance.

## Mutoshi records operating loss of \$16.1 million

		Q4 2008	Q4 2007
Ore mined	tonnes	-	184,466
Ore processed	tonnes	89,296	98,054
Feed grade	% Cu	3.6	5.0
Contained copper	tonnes	3,243	4,918
Copper recovery	% Cu	39.7	72.2
Copper produced in concentrate	tonnes	1,288	3,551
Copper sold	tonnes	1,360	1,389
Operating cash cost (ex-mine gate)	\$/tonne concentrate	1,606	669

The operating cash cost per tonne of oxide concentrate at Mutoshi for the fourth quarter 2008 was \$1,606 per tonne, an increase of 140% compared to the fourth quarter 2007, due to declining recovery from the processing of finer grained, lower grade material. Mining of ore was suspended in September 2008 and processing ceased in November 2008. Costs of ceasing operations, including demobilization and severance payments have also significantly increased the operating cash cost.

## Q4 2008 Net (loss) / income

	Q4 2008		Q4 2007	
	\$ million	% of Sales	\$ million	% of Sales
Operating (loss) / profit	(50.1)	(361)	44.2	56
Other income	1.4	10	4.4	5
General administrative and marketing costs	(4.6)	(33)	(5.9)	(7)
Provision for impairment of assets	(97.6)	(702)	(8.6)	(11)
Interest expenses	(0.3)	(2)	(1.1)	(0)
Exploration expenditure written off	(28.8)	(207)	(3.3)	(4)
Other expenses	(0.6)	(4)	(0.6)	(1)
Income tax	23.1	166	(4.8)	(6)
Non-controlling interest	6.3	45	(2.6)	(3)
<b>Net (loss) / income</b>	<b>(151.2)</b>	<b>(1,088)</b>	<b>21.7</b>	<b>27</b>
(Loss) / earnings per share				
- basic	(2.12)		0.31	
- diluted	(2.12)		0.30	
Weighted average shares outstanding				
- basic	71.2		70.5	
- diluted	71.2		71.9	

## Group records net loss of \$151.2 million

In the fourth quarter of 2008 general conditions in credit markets deteriorated substantially, which had a serious impact on the global economy and contributed to a significant and rapid decline in the demand for and selling price of copper and silver. Average base metal prices were down significantly from average prices in the fourth quarter of 2007, with two of our major products, copper and silver, down 45% and 28% respectively.

Provision for impairment of available-for-sale investments increased due to provision of \$23.7 million resulting from declines in the mark to market value of securitised investments in the Group's investments portfolio and recognition of further impairment relating to a diminution in the value of investment in Sub-Saharan Africa of \$0.7 million.

Long-lived assets should be tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the years ended December 31, 2008 and 2007, the Company undertook a review of all mining assets in light of recent economic events and associated declines in the outlook for metal prices in the near- to-mid term.

Provision for impairment of long-lived assets of \$62.1 million relates to

- (a) Mutoshi - \$5.1 million.
- (b) Kinsevere - \$26.6 million primarily relating to the EAF.

- (c) Dikulushi - \$30.4 million primarily relating to the underground development costs and property, plant and equipment.

Provision for impairment relating to inventory (stores & consumables) of \$11.1 million mainly at Dikulushi and Kinsevere.

Exploration expenditure of \$28.8 million was written off during the quarter consisting of:

- (a) Acquisition expenditure related to the Nambulwa and Mutoshi projects of \$1.4 and \$11.9 million respectively.
- (b) Exploration expenditure directly incurred by the Company on Dikulushi (\$9.9 million), Nambulwa (\$1.6 million) and Mutoshi (\$4.0 million).

The decrease in other income was caused by lower interest income earned on the Group's portfolio of available-for-sale investments.

The Group has recorded income tax credits as opposed to recording a tax expense in the same period last year due to losses incurred as a result of lower production and decline in commodity prices.

The Group has recorded a credit from non-controlling interests due to losses incurred resulting from impairment of assets, lower production and decline in commodity prices.

#### Q4 2008 Cash Flows

	Q4 2008 \$ million	Q4 2007 \$ million
<b>Cash flows from:</b>		
Operating activities		
- before working capital changes	(26.1)	46.7
- after working capital changes	(21.0)	46.0
Investing activities	(57.5)	(40.1)
Financing activities	(2.4)	(5.8)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(80.9)</b>	<b>0.1</b>
Cash flow per share		
- before working capital	(0.37)	0.66
- after working capital	(0.29)	0.65

Cash outflow from operations in the fourth quarter of 2008 was \$21.0 million (fourth quarter 2007: \$46.0 million cash inflows). This was due to lower production at all operating units compared to the fourth quarter 2007. There was also an increase in inventory of ore for the proposed SX-EW plant at Kinsevere and stockpiling of HMS concentrate at Kinsevere to be fed through the EAF.

Investing cash outflows included exploration expenditures of \$9.3 million (fourth quarter 2007: \$5.3 million), which were incurred mainly on the Mutoshi and Kinsevere tenements, and expenditures for property, plant and equipment of \$48.7 million incurred primarily in connection with the development of Kinsevere Stage II.

Financing cash outflows were \$2.4 million (fourth quarter 2007: \$6.1 million), the major contributing factor being \$1.1 million of disbursements made on behalf of the Dikulushi Trusts.

#### 2008 Net Sales

(After TC/RCs)	2008 \$ million	2007 \$ million	2006 \$ million
Kinsevere - Copper	70.0	38.6	-
Dikulushi - Copper	76.1	163.7	123.3
- Silver	17.7	29.6	22.4
Mutoshi - Copper	27.3	31.0	29.7
- Cobalt	0.1	0.3	
Net Sales	191.2	263.2	175.4
<b>Copper selling price</b>	<b>(\$/lb)</b>	<b>(\$/lb)</b>	<b>(\$/lb)</b>
Current period sales <sup>1</sup>	3.12	3.19	3.22
Provisional pricing adjustment	(0.21)	0.08	(0.19)
TC/RC and freight charges	(0.06)	(0.10)	(0.37)
<b>Realized copper price</b>	<b>2.85</b>	<b>3.17</b>	<b>2.66</b>

1. Sales of copper concentrate at Kinsevere and Mutoshi are at mine gate at a discount to LME price and recorded as sales revenue. The TC/RC and freight component is therefore difficult to extract and thus is included in the current period realized selling price. Concentrate at Dikulushi is not sold at mine gate and thus the TC/RCs and freight charges are known and separately disclosed in the calculation of the total realized copper price.

**Group net sales decrease 27% to \$191.2 million owing to lower volume of concentrate sales combined with lower realized copper prices**

Net sales decreased owing to a reduction in the tonnes of copper sold (down 17% to 27,645 tonnes of payable copper) coupled with lower realized copper prices during the year (down 10%). Group copper production was 13% lower than the prior year, primarily due to lower copper production at Dikulushi (down 55% from 2007) and Mutoshi (down 26% from 2007) offset by a full year of commercial production in 2008 at Kinsevere compared to the prior year, when production commenced only in June, 2007. Copper production at Dikulushi was 55% lower than the prior year due to changes in the underground mining method and lower feed grade of stockpiled material which caused metallurgical recovery to be lower. Production at Mutoshi decreased 26% compared to 2007 due to processing of finer grade material resulting in lower recovery and the HMS plant being placed on care and maintenance in November 2008. Due to a sharp decline in the copper price during the second half of the year, a provisional pricing adjustment of \$12.9 million has been recognised.

**Kinsevere net sales increase to \$70 million**

Net sales for the year ended December 31, 2008 were \$70.0 million, for 10,118 tonnes of payable copper (year ended December 31, 2007: 5,425 tonnes). Kinsevere operations include twelve months of operations in the current year compared to six full months of operations in the prior period as commercial production commenced in late June 2007. The first of the two EAFs that comprise the Kinsevere EAF facility was commissioned in August 2008. The HMS & spirals plant was placed on care and maintenance in November 2008.

**Dikulushi net sales decrease 51% to \$93.8 million owing to lower volume of concentrate sales**

Net sales compared to the same period in 2007 decreased as a result of a 44% decline in the tonnes of payable copper sold. Copper production decreased by 55% as underground mining was reduced to prepare for a change in the mining methodology. In December 2008 underground development was postponed and a care and maintenance program was initiated at Dikulushi.

**Mutoshi net sales decrease 12% to \$27.4 million due to production of lower grade copper concentrate**

Net sales compared to the same period in 2007 decreased as a result of an 11% decline in the realized copper price due to the fall in commodity prices along with a marginal 1% reduction in the tonnes of payable copper sold. The reduction in tonnes payable was due to lower feed grade and lower copper recoveries from processing finer grained, lower grade material.

**2008 Operating (loss) / profit**

	2008		2007		2006	
	\$ million	% of Sales	\$ million	% of Sales	\$ million	% of Sales
Kinsevere <sup>1</sup>	9.9	5	17.6	7	-	-
Dikulushi	25.0	13	141.5	54	91.1	52
Mutoshi	(25.3)	(13)	6.5	2	17.9	10
CDA <sup>2</sup>	(12.6)	(7)	(5.3)	(2)	3.5	2
<b>Total Operating (loss) / profit</b>	<b>(3.0)</b>	<b>(2)</b>	<b>160.3</b>	<b>61</b>	<b>107.0</b>	<b>61</b>

1. Commercial operations at Kinsevere commenced in June 2007.

2. Please refer to segment information on page 17. These are administration and technical support costs based in DRC to support the mine operations and development.

**Group records operating loss of \$3 million**

Operating profit before severance payments and demobilization costs was \$5.8 million, compared to \$160.3 million for 2007. Group operating loss of \$3.0 million was primarily due to severance payments and demobilization costs (\$8.8 million), a decline in the operating profit at Dikulushi and Kinsevere and losses sustained at Mutoshi. The decreases in sales volume and realized prices resulted in a lower operating profit at Dikulushi and an operating loss at Mutoshi. Decreases in copper production at Mutoshi and Dikulushi were partially offset by a full year of operations at Kinsevere. Operating profit at Dikulushi decreased due to lower sales volume and an increase in operating expenses. Operating loss at Mutoshi was lower due to processing of finer grained, lower grade material yielding lower metallurgical recovery and production of copper. The Company made a provision of \$7.8 million for doubtful debts.

**Kinsevere operating profit decreases 44% to \$9.9 million**

		2008	2007
Ore mined	tonnes	2,653,103	918,545
Ore processed	tonnes	350,027	173,161
Feed grade	% Cu	9.5	10.5
Contained copper	tonnes	33,159	18,153
Copper recovery	%	69.0	71.6
Copper produced in concentrate	tonnes	22,858	13,006
Copper produced in Blister	tonnes	820	-
Copper sold	tonnes	20,000	10,750
Operating cash cost (ex-mine gate)	\$/tonne concentrate	311	312

The operating cash cost of oxide concentrate at Kinsevere for the year ended December 31, 2008 was \$311 per tonne. This is equivalent to the same period last year as the increase in production was offset by increased operating costs from the HMS and spirals plant and the EAF operating at less than the design capacity. The Kinsevere mine commenced production only in June 2007, as compared to full year of operation in 2008.

**Dikulushi operating profit decreases by 82% on lower sales and higher operating costs**

		2008	2007
Ore mined	tonnes	101,064	19,945
Ore processed	tonnes	463,094	353,437
Feed grade	% Cu	3.1	7.6
Contained copper	tonnes	14,326	27,045
Copper recovery	%	77.1	90.8
Copper produced in concentrate	tonnes	11,047	24,561
Silver produced in concentrate	ounces	1,095,801	2,451,269
Copper sold	tonnes	12,873	24,262
Silver sold	ounces	1,317,389	2,503,459
Operating cash cost (ex-mine gate) (after silver credits)	\$/lb Cu	1.13	0.14
TC/RC and freight charges	\$/lb Cu	0.54	0.44
Total cash costs from operations	\$/lb Cu	1.67	0.58

Dikulushi total cash costs from operations per pound produced increased by 188% as there were no mining costs in the same period last year as the underground mine was still being developed at the time; higher processing costs due to lower feed grade resulting in lower recovery and production of copper, and increased fuel, labour and consumables costs. These were partially offset by increased silver credits of \$0.75/lb Cu compared to last year of \$0.56/lb Cu.

**Mutoshi records operating loss due to increased operating costs from processing finer grained, lower grade ore and lower copper production**

		2008	2007
Ore mined	tonnes	428,361	491,239
Ore processed	tonnes	462,495	340,628
Feed grade	% Cu	3.9	5.2
Contained copper	tonnes	17,867	17,650
Copper recovery	%	41.7	57.0
Copper produced in concentrate	tonnes	7,448	10,066
Copper sold	tonnes	9,617	9,954
Operating cash cost (ex-mine gate)	\$/tonne concentrate	1,043	581

Operating cash cost increased significantly compared to same period last year due mainly to increased processing costs. The processing of finer and lower grade material has lower metallurgical recovery through the HMS plant. Mining of ore was suspended in September 2008 and processing ceased in November 2008. Costs of ceasing operations including demobilization and severance payments have also had the impact of increasing the operating cash cost.

### 2008 Net (loss) / income

	2008		2007		2006	
	\$ million	% of Sales	\$ million	% of Sales	\$ million	% of Sales
Operating (loss) / profit	(3.0)	(2)	160.3	61	107.0	61
Other income	8.2	4	11.8	5	6.0	3
General administrative and marketing costs	(22.7)	(12)	(14.8)	(6)	(10.1)	(6)
Provision for impairment of assets	(103.1)	(54)	(9.4)	(3)	-	-
Interest expense	(1.4)	(0)	(2.2)	(1)	(4.5)	(3)
Exploration expenditure written off	(31.3)	(16)	(4.4)	(2)	-	-
Other expenses	(3.5)	(2)	(2.4)	(1)	(1.4)	(1)
Income tax	12.9	7	(8.5)	(3)	(3.8)	(2)
Non-controlling interest	5.4	3	(13.2)	(5)	(10.6)	(6)
<b>Net (loss) / income</b>	<b>(138.5)</b>	<b>(72)</b>	<b>117.2</b>	<b>45</b>	<b>82.1</b>	<b>46</b>
(Loss) / earnings per share						
- basic	(1.95)		1.81		1.65	
- diluted	(1.95)		1.77		1.61	
Weighted average shares outstanding						
- basic	71.2		64.7		49.7	
- diluted	71.2		66.2		51.0	

### Group records net loss of \$138.5 million

General, administrative and marketing expenses for the year ended December 31, 2008 were \$22.7 million (2007: \$14.8 million), an increase of 53% over the same period in 2007. This was partly due to the recruitment of additional senior technical and administrative staff to support the Company's expansion and other non-recurring expenses including severance payments, legal and advisory fees and the establishment of the employee share purchase plan, introduced in January 2008.

The decrease in other income was caused by lower interest income earned on the Group's portfolio of available-for-sale investments as a result of repayment of principal of \$13.4 million during the year ended December 31, 2008.

In the fourth quarter of 2008 general conditions in credit markets deteriorated substantially, which had a serious impact on the global economy and contributed to a significant and rapid decline in the demand for and selling price of copper and silver. Average base metal prices were down significantly from average prices in the fourth quarter of 2007, with two of our major products, copper and silver, down 45% and 28% respectively.

Provision for impairment of available-for-sale investments increased due to provision of \$26.3 million resulting from decline in the mark to market value of securitised investments in the Group's investments portfolio and recognition of impairment relating to a diminution in the value of investments in Sub-Saharan Africa of \$3.6 million.

Long-lived assets should be tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the years ended December 31, 2008 and 2007, the Company undertook a review of all mining assets in light of recent economic events and associated declines in the outlook for metal prices in the near- to-mid term.

Provision for impairment of long lived assets \$62.1 million relates to

- (a) Mutoshi - \$5.1 million
- (b) Kinsevere - \$26.6 million primarily relating to EAF
- (c) Dikulushi - \$30.4 million primarily relating to the underground development costs and property, plant and equipment

Provision for impairment relating to inventory (stores & consumables) of \$11.1 million, mainly at Dikulushi and Kinsevere.

Exploration expenditure of \$31.3 million was written off during the year, consisting of:

- (a) Acquisition expenditure related to Nambulwa and Mutoshi projects of \$1.4 million and \$11.9 million respectively
- (b) Exploration expenditure directly incurred by the Company on Dikulushi (\$9.9 million), Nambulwa (\$1.6 million), Mutoshi (\$4.0 million) and Philippines (\$2.5 million)

The Group has recorded income tax credits as opposed to recording a tax expense in the same period last year due to losses incurred as a result of lower production and decline in commodity prices.

The Group has recorded a credit from non-controlling interests due to losses incurred resulting from impairment of assets, lower production and decline in commodity prices.

## 2008 Cash Flows

	2008 \$ million	2007 \$ million	2006 \$ million
<b>Cash flows from:</b>			
Operating activities			
- before working capital changes	33.8	166.3	102.0
- after working capital changes	42.5	123.3	80.3
Investing activities	(205.5)	(131.4)	(165.8)
Financing activities	(7.8)	163.8	136.8
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(170.8)</b>	<b>155.7</b>	<b>51.4</b>
Cash flow per share			
- before working capital	(0.47)	2.57	2.05
- after working capital	(0.60)	1.91	1.62

Cash flow from operations in the year ended December 31, 2008 was \$42.5 million (2007: \$123.3 million). Operating cash flows after working capital movements for the year ended December 31, 2008 were impacted by an increase in inventory of \$20.6 million offset by a decrease in accounts receivable of \$33.9 million. The increase in inventory was driven by a build up of inventory of ore for the proposed SX-EW plant at Kinsevere. The decrease in accounts receivables was primarily due to lower sales volume and also lower realized copper prices.

Investing cash outflows were \$205.5 million (2007: \$131.4 million). The Company incurred exploration expenditures of \$33.3 million, mainly on the Mutoshi and Kinsevere tenements. Expenditures for property, plant and equipment of \$186.2 million for the year ended December 31, 2008 (2007: \$92.0 million) were predominantly in connection with the development of Kinsevere Stage II. Proceeds of \$13.4 million were received from repayment of principal from securitised investments.

Financing cash outflows were \$7.8 million (2007: \$163.8 million cash inflows). The Company paid \$2.0 million towards the purchase of shares under the Executive and Senior Staff Incentive Plan. Disbursements of \$6.6 million were made on behalf of the trusts established by the Company to benefit communities in the area of the Dikulushi mine (the "Dikulushi Trusts"),<sup>1,2</sup> which were partially offset by \$0.7 million received from the exercise of options during the year.

## Liquidity

As at March 17, 2009 the Company had approximately \$25 million in cash, 24 million in available-for-sale investments, \$7 million in receivables and only \$700,000 of long-term debt.

During the fourth quarter of 2008, the Company announced initiatives focused on significantly reducing costs and expenditures. These initiatives included: suspension of engineering, construction and fabrication works for development of Kinsevere Stage II until such time as the required funding has been secured; placement of the Dikulushi operation on care and maintenance; cessation of HMS processing operations at Mutoshi; and a reduction in corporate overhead costs.

The Company requires additional funding of approximately \$200 million in order to complete the Kinsevere Stage II development of the 60,000 tonnes per year SX-EW plant and continues to make progress in obtaining the necessary funding. An update of the previously completed technical due diligence report is underway, which when completed will form the basis for financiers to seek credit approval for provision of a debt facility to the Company. It is anticipated that this process will take approximately two to three months before credit approval may be obtained.

## 2008 Balance Sheet

	December 31, 2008	December 31, 2007	December 31, 2006
<b>Assets (\$ million)</b>			
Cash and cash equivalents (including restricted)	45.9	216.1	59.5
Available-for-sale investments	24.0	63.8	95.8
Other current assets	106.6	119.4	54.6
Property, plant & equipment	280.3	228.1	63.9
Other non-current assets	75.8	61.3	128.7
<b>Total assets</b>	<b>532.6</b>	<b>688.7</b>	<b>402.5</b>
<b>Liabilities (\$ million)</b>			
Current liabilities	38.0	31.4	72.5
Long-term debt	0.3	-	4.0
Future income tax liability	24.4	39.6	36.5
Asset retirement obligations	13.0	11.7	1.4
<b>Total liabilities</b>	<b>75.7</b>	<b>82.7</b>	<b>114.4</b>
Non-controlling interests	1.9	13.9	8.3
Shareholders' equity (\$ million)	455.0	592.1	279.8
<b>Working capital (\$ million)</b>	<b>138.5</b>	<b>367.9</b>	<b>137.4</b>
Weighted average number of shares (for basic earnings per share) (millions)	71.2	64.7	49.7
Outstanding shares (millions)	71.2	71.1	56.7

### Cash and cash equivalents

The decrease in cash and cash equivalents to \$45.9 million for the year ended December 31, 2008 (December 31, 2007: \$216.1 million) was due to increased expenditure on the Kinsevere Stage II development, exploration activities and other capital assets.

### Available-for-sale investments

The decrease in available-for-sale investments to \$24.0 million for the period ended December 31, 2008 (December 31, 2007: \$63.8 million) was attributable to maturing investments (\$13.4 million) which were converted into cash; provision for impairment of available-for-sale investments (\$29.3 million) resulting from a diminution in the mark to market value of the Company's available-for-sale investments.

### Current assets

Total current assets for the period ended December 31, 2008 decreased by \$222.8 million to \$176.5 million (December 31, 2007: \$399.3 million). In addition to the movement in cash and investments outlined above, there was a decrease in accounts receivables of \$42.9 million. Prepaid expenses and deposits increased by \$29.8 million to \$51.3 million, consisting mainly of amounts paid to suppliers for plant and equipment required for the Kinsevere Stage II development.

### Current liabilities

Current liabilities at December 31, 2008 increased to \$38.0 million (December 31, 2007: \$31.4 million) relating mainly to purchases for Kinsevere Stage II.

### Total liabilities

Total liabilities at December 31, 2008 were \$75.7 million (December 31, 2007: \$82.7 million). The decrease was mainly due to a decline in the deferred tax liability relating to temporary differences on depreciation of assets for book and tax purposes in DRC.

### Non-controlling interests

The decrease in non-controlling interests to \$1.9 million at December 31, 2008 (December 31, 2007: \$13.9 million) was primarily due to losses at Dikulushi and Mutoshi accruing to minority shareholders.

### Shareholders' equity

Shareholders' equity as at December 31, 2008 decreased by \$137.1 million to \$455.0 million mainly as a result of a decrease in retained income of \$138.5 million.

## Contractual Obligations

The following table summarizes the Company's contractual and other obligations, as at December 31, 2008.

Payments due by period	Total	Less than 1 Year	1 – 3 Yrs	4 – 5 Yrs	More than 5 Years
	\$ million	\$ million	\$ million	\$ million	\$ million
Long-term debt	0.7	0.3	0.4		
Environmental and mine closure liabilities	13.0		0.7	0.9	11.4
Capital commitments – Kinsevere Stage II	40.0	40.0			
Equipment operating lease	0.9	0.3	0.3	0.3	
Entry premium payment <sup>1</sup>		10.0	5.0		
Non-controlling interest commitments – comprises the 10% outside equity interests in the retained earnings of Anvil Mining Congo SARL	1.8	1.8			

1. Payment to Gécamines in connection with the amendment to the Kinsevere Lease Agreement reached in January 2009.

## Outstanding share data

At March 17, 2009, the Company had 71,244,578 common shares outstanding. In addition, there were 4,755,975 director and employee stock options outstanding with exercise prices ranging between C\$1.35 and C\$17.04 per share.

## Development Activities

### Kinsevere Stage II

On November 13, 2008 the Company announced that it had placed the remaining engineering design, fabrication, construction works and remaining procurement for the Kinsevere Stage II SX-EW development on hold until adequate funding has been secured. As at February 17, 2009, approximately \$180 million of the budgeted cost of \$380 million had been spent or committed.

The current status of the Kinsevere Stage II development is as follows:

- Engineering design work is almost 80% complete;
- Civils construction is approximately 90% complete;
- Concrete works are 70% complete;
- Construction of key infrastructure including camps, roads, offices, power and water facilities is 90% complete;
- Construction of stainless steel tankage units is 30% complete;
- Earthworks for the process and event ponds is 40% complete;
- Construction of the Tailings Storage Facility is 65% complete; and
- Procurement of major capital items is 80% complete, including the ball mill, crusher, apron feeder, tailings dam liner and half of the electrowinning cells, all of which are on site. The cathode stripping machine, pin bed clarifiers, transformers and rectifiers and half of the cathode plates and anodes are ready for transit to site.

All completed construction works, including erected tankage units and the electrowinning cells have been checked, braced and made safe as required and all contractor staff have been demobilised from site. Anvil has retained appropriate staff to supervise off loading and secure storage of capital equipment as it continues to arrive at site.

The Company is well positioned to readily recommence development of Kinsevere Stage II when funding is available. Key tasks include completion of engineering design and procurement of remaining capital equipment. The remaining engineering design work, relating mainly to electrical, piping and instrumentation is expected to take two to three months to complete. The delivery of outstanding capital equipment is expected to be completed within six months of commencement. The Company anticipates that award of the contract(s) for completion of Stage II would take two to three months to finalize.

The Company is reviewing suitable arrangements under which works could be recommenced as quickly as possible after the Company obtains the necessary funding. With facilities, access roads and offices complete or near complete, no issues in respect of logistics and accommodation requirements for construction crews are expected. The Company estimates that the timeframe for completion of construction, dry commissioning, and hydraulic testing for readiness to receive ore is approximately nine months from award of contract.

## Exploration

### Kinsevere

Following completion of a 41,000 metre drilling program during 2008, a large proportion of which was in-fill drilling, in February 2009 the Company announced an updated Mineral Resource estimate for Kinsevere. The estimated Measured and Indicated Mineral Resource in the combined oxide and sulphide portions of the Kinsevere deposits (Tshifufia, Tshifufiamashi and Kinsevere Hill) at year-end 2008 total 29.8 million tonnes at 3.8% copper, representing 1.12 million tonnes of contained copper metal. The Inferred Mineral Resource totalled 14.1 million tonnes at 3.6% Cu, representing an additional 507,000 tonnes of contained copper metal.

Comparisons with the year-end 2007 estimate reflect an overall reduction in the oxide Mineral Resource but an increase in the sulphide Mineral Resource. Tonnage increases associated with extensional drilling were offset by mining depletion, together with changes in modelled density, and to a lesser extent, grade.

### Mutoshi

A Scoping Study was completed during the fourth quarter as the culmination of a 2008 technical program involving scope drilling across the Mutoshi tenement, plus a comprehensive process engineering study. The objective of this Study was to assess the transition of the HMS processing of river tailings, to solvent extraction and electrowinning of copper and cobalt from oxide open pit feed. The Study was supported by grade/tonnage estimates based on the scope drilling database, followed by preliminary mine planning and the financial evaluation of several development scenarios. Potential mining areas were defined surrounding the old Mutoshi Pit (abandoned) thereby enabling future infill and extensional drilling targets to be planned. To assist with the grade/tonnage estimates, an aerial survey was flown across the Mutoshi tenement during the fourth quarter.

Owing to the Company's current strategy, which is focused on the conservation of cash, it is unlikely that the infill and extensional drilling will be carried out during 2009. In the meantime, there is now a considerable amount of historical Gécamines exploration data available which will allow the grade/tonnage estimates to be enhanced.

### Dikulushi

No surface exploration or evaluation activity was carried out at Dikulushi during the fourth quarter.

### Philippines

The Company has ceased exploration activity at the Itogon Project in the Philippines with the intent of selling this project. The Company has signed a Memorandum of Understanding ("MOU") with an Australian based, publicly listed mining company incorporating the terms on which the Company's Philippines interest will be transferred.

Under the terms of the MOU, Anvil will receive a cash payment for the depreciated value of items on the project asset register, plus separate payments on completion of a bankable feasibility study ("BFS") and commencement of commercial production. Should a BFS be completed and commercial production commenced, the Company would recover the current book value of its interest in the Itogon Project, including exploration and acquisition costs.

## Outlook

### DRC Government Review of Mining Agreements

In January 2009, the Company announced that it had reached agreement with Gécamines and the DRC Government on the terms of its Kinsevere "*Contrat d'Amodiation*" (Lease Agreement) and the Dikulushi Mining Convention. The Company and Gécamines have signed an amendment agreement for the Kinsevere Lease Agreement and the Company has been formally notified by Gécamines and the DRC Government that the commercial terms and conditions of the Dikulushi Mining Convention remain unchanged.

The major amendments to the Kinsevere Lease Agreement relate to a change in the up-front cash payment from \$5 million to \$20 million and to royalty payments. Royalty payments are now 2.5% of gross turnover, compared to the previous approach whereby the royalty was paid to Gécamines on a sliding scale, from a floor price of \$35 per tonne of copper at a LME copper price of \$2,200 per tonne (or \$1.00/lb copper) to a ceiling price of \$70 per tonne of copper at an LME copper price of \$4,000 per tonne (or \$1.80/lb copper) on each tonne of commercially viable copper metal extracted at Kinsevere.

Based on the commercial terms agreed with Gécamines and the DRC Government in October 2008, the Company is confident that a satisfactory amended Mutoshi Joint Venture Agreement can be concluded with its joint venture partner Gécamines.

## Operations

### Kinsevere

In order to minimize operating costs and preserve cash, the Company suspended mining operations and operation of the HMS plant and spirals facility during November. Feed to the EAF is currently sourced from stockpiled concentrate from the HMS plant. Based on an EAF production rate of approximately 425 tonnes per month, there is sufficient stockpiled material to provide feed to the EAF for the whole of 2009.

The Company continues to experience difficulties with the operation of the EAF facility. The first EAF was commissioned in August 2008 and while a blister copper product from the EAF has consistently met quality expectations, grading between 92% and 94% copper, the EAF has operated below its design capacity of 1,000 tonnes of blister copper per month, with production of only 659 tonnes of blister copper for the fourth quarter of 2008 and 820 tonnes for the period August to December 2008.

In order to address the technical and operating problems with the EAF, the Company has engaged an experienced metallurgist from Australia whose initial analysis has identified a need to rebuild the furnace hearth. The rebuild of the furnace hearth and other related refurbishment work commenced during February 2009 and is estimated to cost approximately \$250,000. The Company anticipates that completion of the refurbishment works will allow for production from the first of the EAFs of approximately 450 tonnes of blister copper per month, with a decision on the continued operation of the EAF expected by the end of the first quarter of 2009.

The Company is also considering the possibility of restarting the Kinsevere HMS plant and producing an oxide concentrate from existing ROM stockpiles which currently amount to in excess of 250,000 tonnes at a grade of more than 5.0% copper. This could produce more contained copper and higher cash flow at lower risk than the EAF.

#### Dikulushi

In view of the low copper price, the Company began the process of suspending concentrate production, postponing underground development work and initiating a care and maintenance program at its Dikulushi mine in December 2008.

#### Mutoshi

During November, the Company completed the processing of stockpiled material through the HMS plant and in order to preserve cash, ceased processing operations and placed the Mutoshi mine on care and maintenance. High value equipment and motor vehicles have been transported to Kinsevere for safe storage.

### **Additional Information**

Refer to Appendix A for the Summary of Quarterly Results and to Appendix B for Additional Regulatory Disclosures.

## Appendix A

### Summary of Quarterly Results

The financial performance, financial position and operating statistics for the last eight quarters (unaudited) are shown in the table below:

<b>Statement of Operations and Income</b>	Dec 08 Quarter	Sept 08 Quarter	Jun 08 Quarter	Mar 08 Quarter	Dec 07 Quarter	Sep 07 Quarter	Jun 07 Quarter	Mar 07 Quarter
Concentrate sales (\$ million) <sup>1</sup>	13.9	42.3	59.8	75.3	79.3	76.2	65.7	42.0
Operating (loss) / profit <sup>2</sup> before amortization (\$ million)	(37.7)	5.0	31.9	41.2	52.9	51.2	44.8	28.5
Amortization (\$ million)	(12.4)	(7.6)	(15.9)	(7.5)	(9.0)	(4.5)	(2.2)	(1.8)
Operating (loss) / profit <sup>2</sup> (\$ million)	(50.1)	(2.6)	16.0	33.7	44.2	46.7	42.6	26.7
Net (loss) / income (\$ million)	(151.2)	(17.3)	8.5	21.4	21.7	39.0	35.4	21.1
Basic (loss) / earnings per share (\$)	(2.12)	(0.24)	0.12	0.30	0.31	0.55	0.58	0.37
Diluted (loss) / earnings per share (\$)	(2.12)	(0.24)	0.12	0.30	0.30	0.54	0.57	0.36
<b>Production Statistics – Total</b>								
Copper produced in concentrate (tonnes)	7,488	11,318	10,521	12,027	16,878	14,772	7,942	8,041
<b>Production Statistics – Kinsevere mine</b>								
Ore processed (tonnes) <sup>3</sup>	59,219	104,414	94,404	91,990	92,155	72,639	8,367	
Copper grade % Cu	9.9	9.1	10.0	9.1	10.3	10.9	9.0	
Contained copper (tonnes)	5,849	9,467	9,424	8,399	9,448	7,951	754	
Recovery Cu %	76.2	78.4	68.3	57.8	67.6	77.0	63.7	
Copper produced in concentrate (tonnes)	4,457	7,741	6,433	4,855	6,384	6,142	480	
Copper concentrate sold (tonnes)	11,644	22,586	18,084	22,101	25,965	14,429		
Cu contained in EAF Feed	706	174						
Copper grade % Cu	93.3	92.7						
Copper contained in Blister copper	659	161						
<b>Production Statistics – Dikulushi mine</b>								
Ore processed (tonnes) <sup>3</sup>	117,577	134,994	110,990	99,533	92,121	88,574	85,480	87,262
Copper grade % Cu	2.3	2.2	3.1	5.3	8.1	7.7	7.7	7.0
Contained copper (tonnes)	2,689	2,935	3,399	5,303	7,507	6,836	6,564	6,138
Recovery Cu %	64.8	61.8	76.7	92.1	92.5	90.7	90.7	89.1
Copper produced in concentrate (tonnes)	1,743	1,813	2,607	4,885	6,943	6,198	5,951	5,469
Silver produced in concentrate (ounces)	174,463	189,867	248,816	482,655	717,402	612,739	583,269	537,858
Payable pounds of copper contained in concentrate delivered (million)	6.3	4.3	15.6	11.3	13.9	13.7	14.1	10.0
Payable ounces of silver contained in concentrate delivered	249,086	187,372	303,611	491,967	632,175	583,172	610,417	427,349
<b>Production Statistics – Mutoshi mine</b>								
Ore processed (tonnes) <sup>3</sup>	89,296	135,772	130,693	106,734	98,054	87,342	74,987	80,245
Copper grade % Cu	3.6	3.8	3.7	4.3	5.0	5.1	4.6	6.0
Contained copper (tonnes)	3,243	5,152	4,872	4,599	4,918	4,439	3,446	4,847
Recovery Cu %	39.7	46.4	30.4	49.7	72.2	54.8	44.5	52.8
Copper produced in concentrate (tonnes)	1,288	2,392	1,481	2,287	3,551	2,432	1,511	2,572
Copper concentrate sold (tonnes)	8,290	12,057	17,165	5,701	6,235	7,542	12,292	14,825

1. Concentrate sales include copper and silver concentrates from Dikulushi and copper concentrates from Mutoshi and Kinsevere.

2. Refer to Non-GAAP Financial Measures on page 18.

3. Ore processed at Dikulushi relates to ore processed through the ball mill and floatation plant, while ore processed at Mutoshi and Kinsevere relates to ore processed through the HMS plants.

## 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

The Group holds a beneficial interest of 90% in the Dikulushi mine. The operation, which was placed on care and maintenance in December 2008, is located in the Katanga province of the DRC. The operation was developed in 2002 and produces a sulphide copper concentrate with a silver credit.

### Mutoshi

The Group holds a beneficial interest of 80% in the Mutoshi tenements located in the Kolwezi region within the Katanga province of the DRC. The Mutoshi HMS processing operation, which ceased in November 2008, was developed in 2005 and produces an oxide copper concentrate. SMK also holds additional exploration tenements within the Kolwezi region.

### Kinsevere

The Group holds a beneficial interest of 95% in the Kinsevere operation located in the Katanga province of the DRC. The HMS operation was developed in 2007 and produces an oxide copper concentrate. The first EAF was commissioned in August 2008 to produce blister copper grading 92% - 95% copper.

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

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

For the year ended December 31, 2008, segmented information is presented as follows:

	Kinsevere	Dikulushi	Mutoshi	CDA	Inter-segment	Total
Concentrate sales	70,049	93,806	27,385	-	-	191,240
Operating expenses	(35,937)	(54,628)	(48,725)	(11,586)	-	(150,876)
Amortization	(24,213)	(14,157)	(3,955)	(1,075)	-	(43,400)
<b>Segmented operating profit / (loss)</b>	<b>9,899</b>	<b>25,021</b>	<b>(25,295)</b>	<b>(12,661)</b>	-	<b>(3,036)</b>
Interest and financing fees	(758)	(433)	(3,149)	(66)	3,027	(1,379)
Other income	38	(118)	134	23,819	(15,700)	8,173
Provision for impairment of assets	(29,642)	(38,226)	(5,381)	(29,893)		(103,142)
Exploration expenditure written off	(3,018)	(9,908)	(15,864)	(2,500)	-	(31,290)
Other expenses	(8,389)	(1,576)	(3,775)	(25,014)	12,673	(26,081)
<b>Segmented (loss) before under noted items</b>	<b>(31,870)</b>	<b>(25,240)</b>	<b>(53,330)</b>	<b>(46,315)</b>	-	<b>(156,755)</b>
Income taxes	8,766	(566)	6,647	(1,990)	-	12,857
Non-controlling interest	556	2,842	1,963		-	5,361
<b>Segmented (loss)</b>	<b>(22,548)</b>	<b>(22,964)</b>	<b>(44,720)</b>	<b>(48,305)</b>	-	<b>(138,537)</b>
Property, plant and equipment	257,004	4,209	11,353	7,768	-	280,334
Total assets	383,672	20,510	45,877	82,563	-	532,622
Capital expenditures	(160,190)	(19,593)	(4,797)	(1,576)	-	(186,156)

## Appendix B

### Regulatory Disclosures

#### Non-GAAP Financial Measures

The terms “total cash cost” and “operating cash cost (ex-mine gate)” are non-GAAP measures prepared on a per pound of copper produced basis at Dikulushi and on a per tonne of copper concentrate produced at the Kinsevere and Mutoshi mines. Operating cash cost (ex-mine gate) includes all mining and processing costs less any profits from by-products such as silver at the Dikulushi mine. The total cash cost of production per pound of copper produced at Dikulushi is equivalent to the operating cash cost (ex-mine gate) plus smelting and refining and realization costs as the product is priced as sold to the smelter. Copper concentrates from Mutoshi and Kinsevere are sold at the mine gate, thus total cash cost does not include any transport, treatment and refining charges from these mines.

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. Mine operating costs exclude exploration expense, foreign exchange gains and losses and interest and financing fees. “Working capital” equals current assets less current liabilities. The term “Cash flow from operations per share, before changes in non-cash working capital”, for any period is based on a calculation using the weighted average number of common shares outstanding during the same period. The term “EBIT” represents earnings before interest and tax and “EBITDA” represents earnings before interest, tax, depreciation and amortization. This information differs from measures of performance prepared in accordance with Canadian GAAP 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.

#### 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, 2008 and December 31, 2007 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 under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Mine properties

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

Variations in estimates of 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 December 31, 2008, the Group had deferred exploration and acquisition costs of approximately \$51.4 million associated with exploration properties in Africa and south-east 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 Canadian Institute of Chartered Accountants (“CICA”) in relation to Asset Retirement Obligations.

## Income Taxes

As at December 31, 2008, 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 Convention granted by the DRC Government, the Dikulushi mine operations in the DRC currently enjoy reduced income tax rates for the first fifteen years from the date of commencement of commercial mine production, which commenced in October 2002. These concessionary tax rates, based on the applicable DRC Professional income tax rate of 40% 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% <sup>1</sup>

1. The Convention holder elected, as entitled, to adopt the more favourable rate of 30%.

As set out above, commencing in October 2007, the Dikulushi operation completed its initial 5 years of production and as a result is subject to income tax at a rate of 16% for the ensuing 5 years.

The Mutoshi and Kinsevere mines operate under the fiscal regime in effect at the time the DRC Mining Code came into effect in June 2003. The DRC Professional income tax rate applicable to the Mutoshi and Kinsevere mines is 30%.

## **Changes in accounting policies, including initial adoption**

On January 1, 2008 the Company adopted five new accounting standards issued by the CICA: Handbook Section 1400.08A-08C: Going Concern; Handbook Section 1535: Capital Disclosures; Handbook Sections 3862: Financial Instruments – Disclosures; Handbook Section 3863: Financial Instruments – Presentation; and Handbook Section 3031: Inventories.

Section 1400.08A-08C, Going Concern establishes a GAAP requirement to evaluate the appropriateness of the going concern assumption in preparing financial statements.

Section 1535, Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3031, Inventories prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

The adoption of these new handbook sections provided additional disclosure in the notes to the financial statements but did not result in any changes to the Company's current period earnings nor did they require any adjustment to the opening balances.

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards ("IFRS") over a transition period that is expected to end for accounting periods commencing on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

## **Estimates**

Financial statements which are prepared in conformity with Canadian GAAP 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.

## **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, the speculative nature of mineral exploration and development, political

stability, liquidity and availability of future financing, 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 under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Deed of Cross Guarantee**

For the purpose of simplifying reporting in Australia, the Company 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, Leda Mining Pty Ltd and Bannon Mining Pty Ltd.

### **Technical Information**

For further information regarding the Company's mine projects in the DRC, including a description of Anvil's quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of these projects please refer to the various technical reports which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Evaluation of Disclosure Controls & Procedures and Internal Controls over Financial Reporting**

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer has designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to financial and operational conditions impacting disclosure for the year ended December 31, 2008 is made known to them. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer have, as at the December 31, 2008 financial year end:

- (a) designed disclosure controls and procedures, or caused it to be designed under the Company's supervision, to provide reasonable assurance that
  - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
  - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (b) designed Internal Controls over Financial Reporting, or caused it to be designed under the Company's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of internal controls over financial reporting. The design includes policies and procedures that:

- Pertain to the maintenance of records;
- Provide reasonable assurance that transactions are recorded accurately and that receipts and expenditures are made in accordance with the authorizations of management and directors; and
- Provide reasonable assurance in the prevention and timely detection of material unauthorized acquisition, use or disposal of the Company's assets.

On an annual basis, management evaluates the effectiveness of internal controls over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP. However, due to inherent limitations, internal controls over financial reporting may not prevent or detect misstatements.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') framework to assess the effectiveness of the Company's internal controls over financial reporting. Management conducted an evaluation of the effectiveness of internal controls over financial reporting and concluded that they were effective as at December 31, 2008.

During the year ended December 31, 2008 there were no changes in the Company's internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **Forward Looking Statements**

The forward-looking statements made in this MD&A are based on assumptions and judgements of management regarding future events and results. Such forward-looking statements, including but not limited to the possible liquidation of the Company's available-for-sale investments, the Company's plans for expansions of the Kinsevere copper mine and estimated future production at the Company's Dikulushi, Mutoshi 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 the available-for-sale investments, the actual market price 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 funding to provide for the recommencement of construction of Kinsevere Stage II will be available or 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. In addition, there can be no assurance that the recommissioning of Kinsevere EAF number one will proceed as planned or be successfully completed within expected time limits and budgets or will operate as anticipated. There can be no assurance that the final outcome of the DRC Government review of the Mutoshi Joint Venture agreement will not have an adverse effect on the Company.

### Additional Information

Additional information relating to the Company, including the Company's annual information form, may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).