

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE QUARTER ENDED MARCH 31, 2006

*This discussion and analysis of financial position and results of operations of Anvil Mining Limited (the "Company") and its subsidiaries (the "Group" or "Anvil") for the quarter ended March 31, 2006 is presented as of May 11, 2005. The discussion below should be read in conjunction with the unaudited consolidated financial statements of the Company and the notes thereto for the three months ended March 31, 2006 and the audited consolidated financial statements of the Company for the year ended December 31, 2005. 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 dollar. The Company uses the US dollar as its reporting currency. Certain financial information relating to Anvil Mining Limited set out below originates in Canadian dollar ("C\$") or the Australian dollar ("A\$") and has been translated into US dollar based on prevailing exchange rates and in accordance with the basis stated in note 3 to the audited consolidated financial statements for the Company for the year ended December 31, 2005.*

*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 FIRST QUARTER ENDED MARCH 31, 2005

- Successful completion of a C\$149.5 million (\$128.4 million) bought deal equity raising.
- Production of 8,137 tonnes of contained copper and 532,842 ounces of silver.
- Completion of a scoping study on the development options for Kinsevere.
- Commissioning of the scrubber at Kulu.

##### *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 is held under the terms of the Dikulushi Mining Convention ("Mining Agreement") with the Government of the Democratic Republic of Congo ("DRC").

The Group also has a 70% beneficial interest in the Mutoshi Copper-Cobalt project in the Kolwezi region in DRC. The Mutoshi projects, which are held by subsidiary Société Minière de Kolwezi sprl ("SMK"), includes the Mutoshi mine, the Kulu mine (coarse rejects/tailings deposit), the Mutoshi Northwest Deposit, the Noika Deposit, 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 70% mining lease interest in the Exploitation Permit of the Kinsevere-Nambulwa properties, held through AMCK Mining sprl ("AMCK"), which lie approximately 50 kilometres north of the provincial capital of Lubumbashi and include two separate Exploitation Permits, Kinsevere and Nambulwa, totalling 19.5 square kilometres. The two exploitation-permitted areas, approximately 25 kilometres apart, 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 an initial 250,000 tonnes per annum Heavy Media Separation (“HMS”) production circuit and the Stage II expansion comprised a 350,000 tonne per annum ball mill and flotation circuit. The proposed Stage III underground mine development is scheduled to commence in the second quarter following completion of deep drilling below the existing open pit and known resource extension.

### *Kulu mine*

The Kulu mine is located northeast of the Kolwezi town in the Southwest part of the DRC. The mine was established in November 2005 following commencement of construction in September 2005. Stage I of the mine involved refurbishing the HMS plant from Dikulushi and construction of the mine support infrastructure. The HMS plant, which commenced operations in December 2005, is currently treating the coarse rejects/tailings deposit from the Kulumaziba watercourse which were deposited by previous operations at the Mutoshi open pit mine. The proposed Stage II expansion, involving the commissioning of a scrubber to increase throughput of the existing HMS plant, was completed during the first quarter of 2006. Stage III will involve a solvent extraction electro-winning (“SXEW”) plant once a bankable feasibility study is completed. However an electric arc furnace (“EAF”) may be built as an interim measure while the SXEW study is being completed.

### *Kinsevere project*

The Kinsevere project is located approximately 30 kilometres north of Lubumbashi in the Southeast part of the DRC. Following finalization of the mining lease agreement with La Générale des Carrières et des Mines (Gécamines), the State owned mining company, in November 2005 and completion of the resource evaluation in December 2005, the development scoping study was commenced. This scoping study was completed during the first quarter of 2006 and preliminary mine and infrastructure development work at the project area is in progress.

## *2. First Quarter Information*

	Quarter ended March 31	
	2006	2005
<b>Revenues:</b> (\$ millions)		
Copper-silver concentrate sales	33.2	7.7
<b>Operating profit (loss):</b> (\$ millions)	15.6	(0.2)
<b>Net earnings (loss):</b> (\$ millions)	8.3	(1.7)
<b>Realized price:</b> (\$)		
<i>Dikulushi mine:</i>		
Copper per pound	2.32	1.32
Silver per ounce	9.50	6.77
<i>Kulu mine</i>		
Copper concentrate per tonne	467	-
<b>Cash Flow:</b> (\$ millions)		
Operating activities	0.7	(3.6)
Investing activities	(7.7)	(7.9)
Financing activities	111.3	12.7

## **PRODUCTION STATISTICS:**

**Dikulushi mine**

Copper produced (tonnes)	5,505	2,559
Silver produced (ounces)	532,842	245,044
Ore mined (tonnes)	150,864	91,862
Waste mined (tonnes)	1,419,272	1,321,719

**Costs of production: (\$)**

Operating cash costs per pound (ex mine gate after silver credit)	0.46	0.65
Total cash costs (after silver credit)	1.07	1.11

**PRODUCTION STATISTICS:****Kulu mine**

Copper concentrate produced (tonnes)	8,983	-
Copper produced (tonnes)	2,632	-
Ore mined (tonnes)	25,032	-

**Costs of production: (\$)**

Operating cash costs per tonne of concentrate (ex-mine gate)	272	-
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*3. Discussion of Earnings and Operations**Revenues*

The revenues for the first quarter of 2006, were \$33.2 million (Q1 2005 - \$7.7 million) from the sale of 12.1 million pounds of contained copper and 506,508 ounces of contained silver (Q1 2005 - 5.6 million pounds of contained copper and 230,168 ounces of contained silver).

The increased price, production and delivery quantities of concentrates have contributed to the record high revenues for the first quarter of 2006 compared with the corresponding quarter in 2005. The realized copper and silver prices for Dikulushi sales averaged \$2.32 per pound (Q1 2005 - \$1.32 per pound) and \$9.50 per ounce (Q1 2005 - \$6.77 per ounce). In addition the Kulu mine copper concentrate production and sales generated revenue of \$4.5 million from the sale of 9,615 tonnes of copper concentrate. The revenue per tonne of Kulu concentrate for the first quarter was \$467 per tonne.

*Costs of Operations*

Operating expenses before amortization for the quarter were \$15.8 million (Q1 2005 - \$6.5 million) from the higher level of operating activity at Dikulushi and the inclusion of Kulu mine operating costs for the quarter of \$2.4 million.

The increase in operating level at both the mining and production operations at the Dikulushi mine led to the doubling of contained copper produced to 5,505 tonnes (Q1 2005 - 2,559 tonnes) and contained silver to 532,842 ounces (Q1 2005 - 245,044 ounces) compared with the corresponding period's production.

The Dikulushi total cash operating cost per pound of copper produced (after silver credits) was \$1.07 (Q1 2005 - \$1.11) which was reflective of the continuing higher concentrate transport costs resulting from increases in fuel costs and the export of concentrate to overseas markets.

The Kulu mine's first full quarter of operations produced copper concentrate of 8,983 tonnes and contained copper of 2,632 tonnes. Ore mined was 25,032 tonnes.

The operating cash cost per tonne of oxide concentrate at Kulu was \$272 per tonne. Operating costs were higher than budget due mainly to the lower production volume, as logistical delays caused the scrubber to be commissioned only in late March 2006.

The operating result (after amortization) for the first quarter ended March 31, 2006 was an operating profit of \$15.6 million (Q1 2005 - loss \$0.2 million) mainly from a combination of the increased copper production and the higher realized sales prices for both copper and silver which more than offset the increased operating costs. The amortization expense for the first quarter was \$1.8 million (Q1 2005 - \$1.4 million) an increase of \$0.4 million over the corresponding period relating mainly to the additional amortization from the Kulu mine.

#### *Net Earnings*

The net earnings for the quarter were \$8.3 million (Q1 2005 - net loss \$1.7 million) due to the combined impact of increased production and higher copper and silver prices realized. The basic earnings per share were \$0.26 (Q1 2005 - loss \$0.06).

The Kulu mine contributed \$0.7 million (net earnings after tax and outside equity interest) to the net earnings of the quarter.

In addition to the impact from changes in revenues, operating costs and amortization expense during the first quarter, the net earnings for the first quarter of 2006 compared with the first quarter of 2005, also reflect the following changes:

- General, administrative and marketing costs, primarily relating to the corporate office costs in Australia and Canada was \$1.7 million (Q1 2005 - \$0.8 million) representing an increase of 113%. This was due to a higher level of corporate activity associated with the equity raising, expanded corporate governance, financial control and administrative support infrastructure for the management, administration, accounting and other administrative support services being provided from the corporate offices, to support the rapidly expanding business units in DRC which now include the Kulu mine, Mutoshi and Kinsevere projects in the DRC Copperbelt.
- Foreign exchange losses of \$0.4 million were incurred on conversion of C\$, from the bought deal equity financing, into US\$ which resulted from the weakening in the C\$ against the US\$ immediately following the receipt of the C\$ funds. The C\$ funds were converted over three days into US\$ as the Company's functional currency is US\$.
- The stock based compensation cost in the first quarter of 2006 of \$0.2 million (Q1 2005 - \$0.1 million) relates to the accrued cost of option plans granted to employees and directors designed as incentives for maintaining and improving performance.
- Interest and financing fees of \$3.9 million (Q1 2005 - \$0.7 million) in the first quarter of 2006 and in the comparative first quarter both include the finance cost associated with the RMB Resources International (Dublin) Limited ("RMBI") facility (which includes a 6.25% net smelter return). In addition the current quarter includes the cost of the buy back option, over the net smelter return obligation, which was exercised for \$2.0 million in January 2006. At the current high copper and silver prices, the payback period of the exercise of the buy back option is estimated to be three months. Loan borrowing costs in relation to the loans provided by Deans Knight and RMBI were fully written off as both loans were repaid in full in March 2006.

#### 4. Discussion of Cash Flows

	Quarter ended March 31	
	2006	2005
<b>Cash flows from:</b> (\$ millions)		
Operating activities	0.7	(3.6)
Investing activities	(7.7)	(7.9)
Financing activities	111.3	12.7

The cash inflow from operating activities was \$0.7 million (Q1 2005 - outflow of \$3.6 million). This quarter's cash operating inflow was impacted by increase in receivables (\$14.1 million) resulting from the delays from changes in receipt cut-off dates, higher level of concentrate deliveries during the quarter which were exported to smelters offshore Africa as well as the impact on receivables from higher realized prices for copper and silver.

The cash outflow from investing activities of \$7.7 million (Q1 2005 - outflow \$7.9 million). The outflows related to acquisition payments in relation to the interests in the Mutoshi and Kinsevere-Nambulwa projects of \$3.7 million, installation of the scrubber at Kulu and purchases of mining equipment for the proposed Stage III underground mine development at Dikulushi of \$2.6 million, and exploration and evaluation expenditure incurred on the Dikulushi, Mutoshi and Kinsevere permits of \$1.3 million.

The cash inflow from financing activities generated a net \$111.3 million (Q1 2005 - net inflow \$12.7 million). This net movement arose from the receipt of the net proceeds (\$121.9 million) on completion of the C\$149.5 bought deal equity raising and the repayments of the RMBI project finance facility of \$5.5 million and Deans Knight loan facility of \$5.2 million during the quarter.

#### 5. Discussion of Financial Position and Liquidity

	March 31 2006	December 31 2005
<b>Assets</b> (\$ millions)		
Cash and cash equivalents (including restricted cash)	112.4	8.1
Current assets	142.6	24.2
Total assets	205.7	87.5
<b>Liabilities</b> (\$ millions)		
Current liabilities	11.5	18.5
Long-term debt	-	5.1
Total liabilities	18.8	33.0
Non controlling interest	3.7	1.7
<b>Shareholders' equity</b> (\$ millions)	183.3	52.8
<b>Working capital</b> (\$ millions)	131.1	5.7
Weighted average number of shares	31,913,895	28,861,658
Outstanding number of shares	52,904,478	29,086,847

### *Cash and cash equivalents*

The Company completed the bought deal equity financing which raised C\$149.5 million of equity in March 2006. The net proceeds of \$110.0 million after broker fees, legal expenses and funds used to repay the RMBI and Deans Knight loan facilities increased the cash and cash equivalents to \$112.4 million as at March 31, 2006.

### *Current assets*

The total current assets increase to \$142.6 million at March 31, 2006 (Dec 2005: \$24.2 million) was mainly due to the increase in cash and cash equivalents (\$104.3 million) and increase in receivables (\$14.1 million) from the changes in receipt cut-off dates, higher deliveries and prices for the concentrate during the quarter and an increase in the level of exports of concentrates to smelters offshore off Southern Africa.

### *Total assets*

The increase in total assets at March 31, 2006 to \$205.7 million (Dec 2005: \$87.5 million) was attributable mainly to the bought deal equity financing and to an increase in receivables.

### *Current liabilities*

Current liabilities at March 31, 2006, reduced to \$11.5 million (Dec 2005: \$18.5 million) due mainly to full repayment of the RMBI project financing facility of \$5.5 million and settlements of purchase consideration payable totalling \$2.0 million in relation to the acquisition of the Mutoshi project.

### *Total liabilities*

Total liabilities at March 31, 2006 were \$18.8 million (Dec 2005: \$33.0 million). The decrease is due to the changes in current liabilities above and the repayment of the Deans Knight financing facility of \$5.2 million and partial repayment of the purchase consideration payable due in relation to the acquisition of the Mutoshi project.

### *Long Term Debt*

All of the long term debt was repaid at March 31, 2006 (Dec 2005: \$5.1 million). The Company decided to repay all of the RMBI and Deans Knight loan facilities which are being refinanced through the approved Fortis Bank facility which at March 31, 2006 had yet to be drawn down as all the conditions precedent prior to drawdown were not complete.

### *Working capital*

Working capital increased to \$131.1 million at March 31, 2006 (Dec 2005: \$5.7 million) mainly due to:

- receipt of funds from the bought deal equity financing of C\$149.5 million (\$121.9 million) net of the equity raising costs,
- increase in receivables from changes in the cut-off dates of payments and from increases in revenues due to higher deliveries of concentrates to smelters offshore off Southern Africa and the higher achieved copper and silver prices.

### *Non controlling interests*

The increase in non controlling interests to \$3.7 million at March 2006 (Dec 2005: 1.7 million) is primarily due to the increase in undistributed profits (\$1.5 million) and an increase from the conversion of purchase consideration payable of \$0.55 million into equity by a minority interest in the Kulu project offset by \$0.1 million spent on the social and community development initiatives at the Dikulushi mine communities.

### *Shareholders' equity*

Shareholders' equity at March 31, 2006 increased to \$183.3 million (Dec 2005: \$52.8 million) as a result of the completion of the bought deal equity financing of C\$149.5 million and net earnings for the quarter.

At May 11, 2006, the Company had outstanding 52,947,478 common shares. In addition there were outstanding 1,433,000 director and employee stock options with exercise prices ranging from C\$3.80 to C\$7.06 and ranging from A\$1.20 to A\$6.50 per share. The Company had 3,683,500 share purchase warrants outstanding which are exercisable as follows:

<b>Issued</b>	<b>Expiry date</b>	<b>Number</b>	<b>Exercise price</b>
December 2004	December 16, 2007	955,952	C\$6.25
January 2005	December 16, 2007	1,620,048	C\$6.25
July 2005	June 30, 2008	500,000	C\$5.25
December 2005	December 22, 2007	600,000	C\$6.25

Further details of these instruments are set out in note 15 of the Company's December 31, 2005 annual financial statements.

### *6. Other Matters*

#### *Contingent liabilities*

At March 31, 2006, a Group subsidiary SMK is in arbitration concerning a claim in relation to an alleged unperformed pre-acquisition "offtake agreement". In the event that the claim is successful the Group can enforce an indemnity that was given at the time of the acquisition.

#### *Segment Information*

##### **Geographical Reporting**

##### **Quarter ended March 31, 2006**

	<b>DRC</b>	<b>Corporate</b>	<b>Total</b>
Revenues	33.4	0.2	33.6
Cost of production (including amortization)	(17.6)	-	(17.6)
Other expenses	(2.8)	(3.4)	(6.2)
Non controlling interest	(1.5)	-	(1.5)
	<u>11.5</u>	<u>(3.2)</u>	<u>8.3</u>

## Quarter ended March 31, 2005

	DRC	Corporate	Total
Revenues	7.7	-	7.7
Cost of production (including amortization)	(7.9)	-	(7.9)
Other expenses	(0.8)	(0.8)	(1.6)
Non controlling interest	0.1	-	0.1
	<u>(0.9)</u>	<u>(0.8)</u>	<u>(1.7)</u>

DRC revenues and expenses relate to the Dikulushi and Kulu Mine operations. Corporate expenses relate to the general, administrative and marketing costs of the activities of the Perth and Montreal offices.

### *Deferred Exploration*

As at March 31, 2006 the Company had deferred exploration costs of \$27.2 million (Dec 2005: \$27.6 million), which consisted mainly of a transfer of exploration costs to development properties in relation to the Kulu operation (\$1.7 million), offset by exploration expenditure incurred on the deep drilling program at Dikulushi (\$0.4 million) and exploration expenditure on Mutoshi (\$0.4 million) and Kinsevere/Nambulwa tenements (\$0.3 million).

### *Social Unrest at Kolwezi*

On April 24, 2006, a group of illegal artisanal miners engaged in unlawful activity in the town of Kolwezi located approximately 6 kilometres to the west of the Company's Kulu Mine. As a result, one of the Anvil guesthouses was burned with the tragic loss of one Anvil staff member and one of its external contractor's security guards.

On May 2, 2006, the Kulu mine recommenced operations with the full contingent of employees back at work.

Anvil has notified the UN (MONUC) and the DRC government of this incident and is waiting for the outcome of their investigation on why the incident occurred. As a precautionary measure, the Kulu operation was temporarily shut down and some non-essential people moved to the Provincial Capital, Lubumbashi, located 250 km to the east.

### *7. Outlook*

The Dikulushi mine is budgeted to produce 20,000 tonnes of copper and 1,700,000 ounces of silver, contained in concentrates, on an annualized basis.

The Kulu mine is budgeted to produce 16,500 tonnes of copper, contained in concentrates during 2006.

The Group expects to complete the Kinsevere project development and commence construction of a mine and processing facility during 2006.

Following the completion of the C\$149.5 million bought deal equity raising in March 2006, the Group expects to have sufficient financial resources to complete the Group's 2006 development objectives.

## *8. Critical accounting policies*

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 3 of the December 31, 2005 consolidated financial statements and 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)

### *Mine properties*

The Group adopts a unit-of-production method to amortize its mine properties. This method requires estimates of economically recoverable reserves of the Group's mine properties. Qualified independent 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 amortization 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 put into production, sold or abandoned. No costs are deferred on a mineral property that is considered to be impaired in value. As at March 31, 2006, the Group has deferred exploration costs of approximately \$27.2 million associated with exploration properties in Africa and Southeast Asia.

### *Deferred Mining Costs*

The Group uses the deferred stripping accounting method for mining costs associated with waste rock removal, which is in excess of the life-of-mine average. Waste rock mining costs are deferred and charged to operations on the basis of the average stripping ratio for the life of the mine. The waste to ore ratio and remaining life of the mine are both regularly assessed to ensure that both the carrying value and rate of deferral are appropriate.

The amount deferred or charged to cost of production is subject to management's estimate of the stripping ratio over the life of the mine. Any change in the stripping ratio or mine life estimate could have a material effect on the financial results. During the quarter ended March 31, 2006, the Group deferred \$0.0 million for deferred stripping costs based on a prospective life of mine strip ratio of 13.3:1 compared to the actual strip ratio for the quarter of 9.5:1. As at March 31, 2006, the unamortized deferred mining costs carried forward is \$3.4 million (Dec 2005: \$4.1 million)

### *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 new standard issued by the Canadian Institute of Chartered Accountants (“CICA”) in relation to Asset Retirement Obligations.

### *Future Income Taxes*

The Group has adopted CICA 3465 “Income Taxes”. Under the standard, the Group is required to estimate the existence of both taxable losses and the recoverability of these losses. The adoption of CICA 3465 has no material impact on the financial statements.

As at March 31, 2006, 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.

### *Estimates, Risks and Uncertainties*

Financial statements prepared in conformity with Canadian generally accepted accounting principles requires 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.

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, conflicts 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 faced by the Group can be found in the most recent annual information form available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 9. Summary of Quarterly Results (unaudited)

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

<b>Statement of Operations and Earnings</b>	Mar 06 Quarter	Dec 05 Quarter	Sep 05 Quarter	Jun 05 Quarter	Mar 05 Quarter	Dec 04 Quarter	Sep 04 Quarter	Jun 04 Quarter
Concentrate sales (\$ millions) <sup>1</sup>	33.2	25.9	17.8	10.5	7.7	8.7	7.2	8.2
Operating profit <sup>2</sup> (loss) before amortization (\$ millions)	17.4	11.9	7.8	3.8	1.2	2.8	2.5	3.3
Amortization (\$ millions)	(1.8)	(1.9)	(1.3)	(1.3)	(1.4)	(1.0)	(0.7)	(0.7)
Operating profit <sup>2</sup> (loss) (\$ millions)	15.6	10.0	6.5	2.5	(0.2)	1.8	1.8	2.6
Net earnings (loss) (\$ millions)	8.3	6.1	2.9	0.2	(1.7)	0.5	0.4	1.5
Basic earnings per share (\$)	0.26	0.21	0.10	0.01	(0.06)	0.02	0.01	0.07
Diluted earnings per share (\$)	0.25	0.20	0.10	0.01	(0.06)	0.02	0.01	0.07
<b>Production Statistics – Dikulushi mine</b>								
Ore processed (tonnes)	128,259	127,222	120,822	81,518	80,812	75,864	65,455	70,053
Copper grade %	4.95	5.54	5.52	4.87	3.86	4.69	5.81	6.42
Contained copper (tonnes)	6,352	7,049	6,663	3,971	3,119	3,558	3,800	4,500
Recovery %	86.7	86.3	86.7	85.5	82.1	81.3	69.1	71.0
Copper produced (tonnes)	5,505	6,085	5,777	3,395	2,559	2,894	2,626	3,189
Silver produced (ounces)	532,842	587,882	586,875	301,967	245,044	277,403	224,784	301,315
Payable pounds of copper contained in concentrate delivered (million)	12.1	12.9	10.4	6.8	5.6	5.8	5.3	7.1
Payable ounces of silver contained in concentrate delivered	506,508	542,029	432,447	262,111	230,168	240,553	195,111	287,780
<b>Production Statistics – Kulu mine</b>								
Ore processed (tonnes)	51,808	17,981						
Copper grade %	7.95	7.67						
Contained copper (tonnes)	4,118	1,379						
Recovery %	58.0	51.6						
Copper produced (tonnes)	2,632	1,361						
Copper concentrate sold (tonnes)	9,615							

## 10. Additional Notes

### Deed of Cross Guarantee

For the purpose of simplifying reporting in Australia, Anvil Mining Limited and certain Australian incorporated companies 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.

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

<sup>2</sup> Refer to Non-GAAP Financial Measures on page 12

### *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 report that relates to in-situ mineral resource figures for the Kulu mine and Kinsevere-Nambulwa project are based on an independent Technical Report prepared by Mr Gerry Fahey MAIG, MAusIMM (CP) (who is a NI 43-101 Qualified person and who also qualifies as a Competent Person) of FinOre Pty Ltd, a geological consulting company in Perth, Australia. The Technical Report was prepared in accordance with Canadian National Instrument 43-101 and has been filed on SEDAR with the relevant Canadian Securities Commission. A copy is available at [www.sedar.com](http://www.sedar.com). A copy has also been lodged with the Australian Stock Exchange for information purposes. Gerry Fahey has consented to the inclusion in the report of the matters based on his information in the form and context in which they appear.

### *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.

This information differs from measures of performance determined in accordance with 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 GAAP and may not be comparable to similarly titled measures of other companies.

### *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 prices of copper and silver, estimated future production and estimated costs of future production involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of copper and silver, the actual results of current exploration, the actual results of development and mining activities, changes in project parameters as plans continue to be evaluated, changes in the political environment in the countries in which the Group is operating, as well as those factors disclosed in the Company's filed documents.

Statements regarding the Company's plans with respect to the evaluation and future development of the Kulumaziba coarse rejects/tailings deposit, the evaluation of the Mutoshi and Kinsevere-Nambulwa Projects (including Tshifufia Central, Tshifufia South and Tshifufiamashi) and to the recent expansion of the Dikulushi operation are forward-looking statements. There can be no assurance that future due diligence will be successfully completed, that future required regulatory approvals will be obtained or that anticipated transactions will be completed satisfactorily. There can be no assurance that the Company will be able to confirm the presence of a mineral deposit at any of the prospects at Mutoshi or Kinsevere-Nambulwa, nor that any mineralization will be proven to be economic.