

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Third Quarter Ended September 30, 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 third quarter and nine months ended September 30, 2008. The discussion below should be read in conjunction with the unaudited consolidated financial statements of the Company for the third quarter and nine months ended September 30, 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, 2007.

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.

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 November 12, 2008.

#### Summary of current position and outlook

In recent months, Anvil and the base metals mining sector generally, have been subjected to a number of significant negative events, most notably a sharp fall in the copper price which declined by approximately 50% from prices seen in September as well as illiquid capital markets. In Anvil's case, the impact of these events has been compounded by uncertainty regarding the review of mining agreements by the Government of the Democratic Republic of Congo ("DRC"), operational difficulties at the Dikulushi underground mine, delay in the commissioning of the Electric-Arc Furnace ("EAF") at Kinsevere and increases in operating costs.

The cumulative effects of these events have placed Anvil in a difficult position, particularly in relation to the continued development of the Stage II Solvent Extraction-Electrowinning ("SX-EW") plant at Kinsevere, for which the total projected cost is \$380 million. As at October 31, 2008 approximately \$136 million has been spent and approximately \$56 million committed, mainly for the purchase of key equipment with long lead times, leaving almost \$190 million of expenditure over the next 9 to 12 months to complete the project.

As at November 12, 2008, Anvil has approximately \$90 million in cash and short-term deposits and \$38 million in longer term investments, the majority of which do not mature within the next three years. Furthermore, in the current environment, there is limited availability of debt finance for mining companies and the Company has concluded that raising equity finance is not currently a viable option.

Management has carefully considered these conditions and developed a strategy for the next six to eighteen months that takes into account the Group's current position, consensus estimates of copper prices, conservative estimates of production and operating costs and the potential to raise debt finance in the event that availability of such finance improves in 2009.

The key elements of the strategy are:

- Maintaining a minimum cash balance over this period as required for the Group's operations;
- Finalizing the tentative agreements reached with Gécamines and the DRC Government for the Company's mining properties in DRC;
- Operating the Dikulushi underground mine and Kinsevere mine at a positive cash flow;
- Curtailing all but essential capital spending;
- Reducing exploration costs to essential activities related to the definition of resources at the Dikulushi and Kinsevere mines; and
- Cutting general and administrative costs to the minimum necessary to support essential operations.

Central to this strategy, the Company has placed 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. Design work and civil works will continue and are expected to be

completed later this year. In order to complete this development and maintain a minimum cash balance throughout the construction and commissioning phase, the Company requires additional funding. The Company is in discussions with a number of possible lenders and preliminary indications are that debt finance could be available in the first half of 2009, assuming satisfactory resolution of negotiations with the DRC Government regarding the Company's mining agreements, which the Company expects to be finalized during the fourth quarter of 2008.

While the Company currently expects to have financing arranged in time to allow for the recommencement of the Kinsevere Stage II SX-EW development during the third quarter of 2009, with commissioning of the plant in early 2010, there can be no assurance that required finance will be available and that development of the project will re-commence within this timeframe.

In the event that finance is not available during 2009, the Company believes that with the implementation of the strategy outlined above and using conservative estimates of medium-term copper prices, it can operate its Kinsevere Stage I and Dikulushi mines in a profitable manner, with positive cash flow. The Company has therefore concluded that the going concern assumption made in connection with the financial statements for the quarter and nine months ended September 30, 2008, is appropriate.

### **Key points for the quarter<sup>1</sup>**

- Financial results for the third quarter 2008 were impacted by several one-off adjustments, including:
  - Provision of \$2.6 million for impairment of available-for-sale investments;
  - An impairment of \$2.9 million in connection with the write down of the value of the Company's investment in Sub Sahara Resources NL ("Sub-Sahara");
  - Provisional pricing adjustments of \$9.4 million resulting from the sharp fall in the price of copper during the September quarter and post quarter end; and
  - A write down of \$2.5 million in the value of exploration work carried out in the Philippines.
- Net copper sales of \$42.3 million, a decrease of 44% compared to the third quarter 2007.
- Net loss of \$17.3 million (-\$0.24 per share), compared to net income of \$39.1 million (0.55 per share) in the third quarter of 2007.
- Cash flows from operating activities, before working capital movements, of -\$1.0 million (-\$0.01 per share), compared to positive cash flow in the third quarter of 2007.
- Quarterly production of 12,107 tonnes of copper and 189,867 ounces of silver produced in concentrate, a decrease of 18% and a decrease of 69% respectively compared to the third quarter 2007.
- Development of the Dikulushi underground mine using an Avoca cut and fill mining method, on schedule for commencement of full production in the first quarter 2009.
- Further development of the Kinsevere Stage II project.

### **Key points for the year to date<sup>1</sup>**

- Production of 34,655 tonnes of copper, an increase of 13% compared to the same period of 2007.
- Net sales of \$177.4 million, a decrease of 3.5% compared to the same period of 2007.
- Net income of \$12.6 million or \$0.18 per share, a decrease of 87% compared to the same period of 2007.
- Operating cash flow before working capital movements of \$59.9 million or \$0.84 per share.
- Copper production of 34,655 tonnes.

### **Near Term Objectives (next six months)**

- Finalization of discussions with the DRC Government regarding review of the Group's mining agreements.
- Commissioning of the EAF to design capacity at Kinsevere.
- Completion of updated Mineral Resource estimates for Kinsevere and Mutoshi.
- Commencement of full scale production from the underground mine at Dikulushi.
- Completion of preliminary studies on the development of a Stage II SX-EW plant at Mutoshi.

### **Longer Term Objectives (2009 onwards)**

- Completion of construction and commissioning of the Kinsevere Stage II SX-EW plant.
- Completion of feasibility study for the Mutoshi Stage II SX-EW project.
- Completion of preliminary studies on an expansion of the Kinsevere 60,000 tonnes per year SX-EW plant.

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<sup>1</sup> It should be noted that comparisons with the three months & nine months ended September 30, 2007 are significantly affected by the fact that the Kinsevere mine did not commence production until late June 2007.

## Key Group Results

Third Quarter (Q3)		Q3 2008		Q3 2007	
			% of Sales		% of Sales
Production	t Cu	12,107		14,772	
Sales <sup>1</sup>	t Cu	11,658		12,276	
Concentrate stockpiles	t Cu	6,894		4,838	
Net sales	\$ million	42.3	100	76.2	100
Operating profit / (loss)	\$ million	(2.6)	(6)	46.7	61
Net income/(loss)	\$ million	(17.3)	(41)	39.1	51
Basic EPS	\$	(0.24)		0.55	

<sup>1</sup> Sales of copper reflect Kinsevere and Mutoshi copper concentrate sold at mine gate at a discount to London Metal Exchange ("LME") price.

Year to date (YTD)		YTD 2008		YTD 2007	
			% of Sales		% of Sales
Production	t Cu	34,655		30,755	
Sales <sup>1</sup>	t Cu	35,818		30,409	
Net sales	\$ million	177.4	100	183.9	100
Operating profit	\$ million	47.1	26	116.1	63
Net income	\$ million	12.6	7	95.5	52
Basic EPS	\$	0.18		1.52	

<sup>1</sup> Sales of copper reflect Kinsevere and Mutoshi copper concentrate sold at mine gate at a discount to London Metal Exchange ("LME") price.

### Copper Production (tonnes)

	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06
Kinsevere	7,902	6,433	4,855	6,384	6,142	480	-	-
Dikulushi	1,813	2,607	4,885	6,943	6,198	5,951	5,469	5,774
Mutoshi	2,392	1,481	2,287	3,551	2,432	1,511	2,572	4,749
<b>Total</b>	<b>12,107</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>	<b>10,523</b>

## Q3 2008 Net Sales

(After treatment and refining charges ("TC/RCs"))	Q3 2008 \$ million	Q3 2007 \$ million
Kinsevere - Copper	23.0	14.8
Dikulushi - Copper	7.8	46.8
- Silver	1.9	7.3
Mutoshi - Copper	9.5	7.0
- Cobalt	0.1	0.3
Net sales	42.3	76.2
<b>Copper selling price</b>	<b>\$/lb</b>	<b>\$/lb</b>
Current period sales <sup>1</sup>	3.47	3.39
Provisional pricing adjustment	(0.65)	0.08
TC/RC and freight charges	(0.04)	(0.09)
<b>Realized copper price</b>	<b>2.78</b>	<b>3.38</b>

<sup>1</sup> 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 44% to \$42.3 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 29% to 6,552 tonnes of payable copper from sales in the third quarter of 2007) and a decrease in the realized copper price recognized during the quarter (down 18% compared to the third quarter of 2007). Group copper production was 18% lower than the third quarter 2007, mainly due to modification of the underground mining method at Dikulushi. This was partially offset by the impact of higher production from the Kinsevere HMS and Spirals plant. Copper production at Dikulushi decreased by 71% compared to the third quarter of 2007 due to lower than planned tonnes mined from the underground mine, which when combined with low-grade stockpiled material resulted in lower metallurgical recoveries. Due to the sharp decline in the copper price during the quarter and following quarter end, a provisional pricing adjustment of \$9.4 million has been recognized during the quarter (\$0.65/lbs of payable Cu). These were partially offset by a reduction in TC/RCs.

### **Kinsevere net sales increase 56% to \$22.9 million due to increase in volume of concentrate sales**

Net sales compared to the third quarter 2007 were higher as a result of increases in tonnes of payable copper sold (up 55%) and also an increase in realized copper price (up 1%). This was due to increased copper production through increase in tonnes processed, higher grades and improved recoveries.

### **Dikulushi net sales decrease 82% to \$9.7 million owing to lower volume of concentrate sales**

Net sales compared to the third quarter 2007 decreased 69% as a result of lower payable copper sold. Copper production at Dikulushi decreased by 71% due to lower production from underground and the inclusion of lower grade stockpiled feed, which lowered the overall recovery rates from 91% in the third quarter 2007, to 62% in the third quarter 2008. Due to recent volatility in the commodity market, a further provisional pricing adjustment of \$4.9 million has been recognised during the quarter.

### **Mutoshi net sales increase 32% to \$9.6 million due to increase volume of concentrate sales offset by lower realized copper prices**

Net sales compared to the third quarter 2007 increased as a result of an increase in the quantity of payable copper sold (up 53%). This was partially offset by a decrease in realized copper prices that was due to lower copper grade resulting from processing finer-grained, lower grade material.

### Q3 2008 Operating Profit / (Loss)

	Q3 2008		Q3 2007	
	\$ million	% of Sales	\$ million	% of Sales
Kinsevere	11.1	26	7.9	10
Dikulushi	(6.5)	(15)	39.9	52
Mutoshi	(4.0)	(9)	0.2	0
CDA <sup>1</sup>	(3.2)	(8)	(1.3)	(1)
<b>Total Operating Profit / (Loss)</b>	<b>(2.6)</b>	<b>6</b>	<b>46.7</b>	<b>61</b>

<sup>1</sup> 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 \$2.6 million owing to lower sales volume, lower realized copper price and higher operating costs,

Group operating loss was primarily due to a fall in operating profits at Dikulushi and Mutoshi, partially offset by higher operating profit at Kinsevere. Operating profit at Dikulushi decreased due to lower sales volume, processing of lower grade stockpiled ore 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 increased operating profit at Kinsevere was driven by higher production and improved recoveries.

### Kinsevere operating profit increases 41% on higher sales and increased production

		Q3 2008	Q3 2007
Ore mined	tonnes	727,736	386,288
Ore processed <sup>1</sup>	tonnes	104,414	72,639
Feed grade	% Cu	9.1	10.9
Contained copper	tonnes	9,467	7,951
Copper recovery	%	78.4	77.0
Copper produced in concentrate	tonnes	7,741	6,142
Copper produced in Blister	tonnes	161	-
Copper sold	tonnes	6,043	3,914
Operating cash cost (ex mine gate)	\$/tonne concentrate	194	362

<sup>1</sup> Ore processed relates to ore processed through the HMS plant.

The operating cash cost per tonne of oxide concentrate at Kinsevere for the third quarter 2008 was \$194 per tonne. This is lower than the cash cost for Q3 2007 due mainly to increased production of 29%. One furnace of the EAF facility was commissioned in August 2008 and produced 161 tonnes of blister copper.

### Dikulushi operating profit decreases 116% on lower sales and higher operating costs

		Q3 2008	Q3 2007
Ore mined	tonnes	15,265	4,992
Ore processed	tonnes	134,994	88,574
Feed grade	% Cu	2.2	7.7
Contained copper	tonnes	2,934	6,836
Copper recovery	%	61.8	90.7
Copper produced in concentrate	tonnes	1,813	6,198
Silver produced in concentrate	ounces	189,867	612,739
Copper sold	tonnes	2,025	6,483
Silver sold	ounces	208,039	647,969
Operating cash cost (ex-mine gate) (after silver credits)	\$/lb Cu	2.89	0.23
TC/RC and freight charges	\$/lb Cu	0.58	0.42
Total cash costs from operations	\$/lb Cu	3.47	0.65

Dikulushi total cash costs per pound produced from operations increased by 433% due to a combination of factors, including: processing of stockpile of lower-grade ore whilst the underground mine was being redeveloped in accordance with the Avoca mining method; higher processing costs due to lower feed grade resulting in lower recovery and production of copper; and increased costs for fuel, labour and consumables.

#### Mutoshi records operating loss as decline in grade of ore impacts results

		Q3 2008	Q3 2007
Ore mined	tonnes	154,602	136,586
Ore processed	tonnes	135,772	87,342
Feed grade	% Cu	3.8	5.1
Contained copper	tonnes	5,152	4,439
Copper recovery	% Cu	46.4	54.8
Copper produced in concentrate	tonnes	2,392	2,432
Copper sold	tonnes	3,590	1,879
Operating cash cost (ex-mine gate)	\$/tonne concentrate	984	670

The operating cash cost per tonne of oxide concentrate at Mutoshi for the third quarter 2008 was \$984 per tonne, an increase of 47% compared to the third quarter 2007, due to declining recovery from the processing of finer grained, lower grade material. Mining of ore was suspended in September 2008 pending the outcome of an investigation into alternative mining methods with feed to the plant sourced from stockpiled lower grade material.

#### Q3 2008 Net Income

	Q3 2008		Q3 2007	
	\$ million	% of Sales	\$ million	% of Sales
Operating profit / (loss)	(2.6)	(6)	46.7	61
Other income / (loss)	1.6	4	4.1	5
General administrative and marketing costs	(5.7)	(14)	(3.5)	(5)
Provision for impairment of investments	(5.5)	(13)	(0.8)	(1)
Interest expenses	(0.2)	0	(0.3)	0
Exploration expenditure written off	(2.5)	(6)	-	-
Other expenses	(1.9)	(5)	(0.4)	0
Income tax	(1.0)	(2)	(2.7)	(4)
Non-controlling interest	0.5	1	(4.0)	(5)
<b>Net income / (loss)</b>	<b>(17.3)</b>	<b>(41)</b>	<b>39.1</b>	<b>51</b>
Earnings / (loss) per share				
- basic	(0.24)		0.55	
- diluted	(0.24)		0.54	
Weighted average shares outstanding				
- basic	71.2		70.4	
- diluted	71.2		71.8	

### Group records net loss of \$17.3 million.

General, administrative and marketing expenses for the third quarter 2008 were \$5.7 million (2007 September quarter: \$3.5 million), an increase of 63% over the third quarter 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 costs of establishing the employee share purchase plan introduced in 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 \$5.6 million during the quarter.

Provision for impairment of available-for-sale investments increased due to provision of \$2.6 million in connection with two specific securitised investments in the Group's investments portfolio and recognition of impairment relating to a permanent diminution in the value of investments in Sub-Saharan of \$2.9 million.

Exploration expenditure of \$2.5 million, relating to the Company's exploration activities in the Philippines was written off during the September quarter.

The increase in other expense compared to the third quarter 2007 was due to recognition of share of loss in Sub-Saharan (\$0.6 million), and foreign exchange loss of \$0.5 million resulting from volatility in currency markets.

Decrease in Income tax expense was due to lower tax provision at Dikulushi and Mutoshi.

### Q3 2008 Cash Flows

	Q3 2008 \$ million	Q3 2007 \$ million
<b>Cash flows from:</b>		
Operating activities		
- before working capital changes	(1.0)	50.1
- after working capital changes	29.1	43.0
Investing activities	(47.3)	(27.0)
Financing activities	(2.3)	(4.1)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(20.5)</b>	<b>11.9</b>
Cash flow per share		
- before working capital	(0.01)	0.71
- after working capital	0.41	0.61

Cash flow from operations in the third quarter 2008 was \$29.1 million (third quarter 2007: \$43.0 million), or \$0.41 per share (third quarter 2007: \$0.61). This was due to lower production from Dikulushi and Kulu compared to the third quarter 2007. There was also an increase in inventory of ore for the planned SX-EW plant at Kinsevere and higher levels of stores and consumables.

Investing cash outflows included exploration expenditures of \$8.6 million, mainly on the Mutoshi and Kinsevere tenements and expenditures for property, plant and equipment of \$41.4 million incurred primarily in connection with the development of Kinsevere Stage II. Build up of stockpile of low-grade ore for the SX-EW plant at Kinsevere is to be processed mainly in the later stages of the life of the mine and is therefore recognised as an investing cash outflow.

Financing cash outflows were \$2.3 million (third quarter 2007: \$4.1 million cash inflows). There were \$2.3 million of disbursements made on behalf of the Dikulushi Trusts, which were partially offset by \$0.2 million received from the exercise of options during the third quarter.

## YTD 2008 Net Sales

(After TC/RCs)	YTD 2008 \$ million	YTD 2007 \$ million
Kinsevere - Copper	64.2	14.8
Dikulushi - Copper	72.8	121.9
- Silver	16.0	20.3
Mutoshi - Copper	24.3	26.7
- Cobalt	0.1	0.2
<b>Net Sales</b>	<b>177.4</b>	<b>183.9</b>
<b>Copper selling price</b>		
Current period sales <sup>1</sup>	3.53	3.16
Provisional pricing adjustment	(0.14)	0.17
TC/RC and freight charges	(0.05)	(0.10)
<b>Realized copper price</b>	<b>3.34</b>	<b>3.23</b>

<sup>1</sup> 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 marginally decrease 4% to \$177.4 million owing to lower volume of concentrate sales partially offset by higher copper prices

Net sales decreased owing to a reduction in the tonnes of copper sold (down 5% to 21,902 tonnes of payable copper) offset partially by higher realized copper prices during the year (up 4%). Group copper production was 13% higher than the same period in the prior year, mainly due to nine full months of commercial production this year at Kinsevere compared to the prior year, during which production commenced only in June, 2007 offset by lower copper production at Dikulushi resulting from modification to the underground mining method. Copper production at Dikulushi was 47% lower than plan from the underground mine, combined with lower feed grade of stockpiled material which caused metallurgical recovery to be lower. Due to a sharp decline in the copper price during the quarter and following quarter end, a provisional pricing adjustment of \$6.7 million has been recognised.

### Kinsevere net sales increase to \$64.2 million

Net sales for the nine months ended September 30, 2008 were \$64.2 million, for 8,156 tonnes of payable copper. Kinsevere operations include nine months of operations in the current year compared to one quarter of operations in the prior period as commercial production commenced in late June 2007. Payable tonnes of copper were 8,156 tonnes (nine months ended September 30, 2007: 2,007 tonnes).

### Dikulushi net sales decrease 38% to \$88.8 million owing to lower volume of concentrate sales

Net sales compared to the same period in 2007 decreased as a result of a 40% decline in the tonnes of payable copper sold. Copper production decreased by 47% as underground mining was reduced to prepare for a change in the mining methodology. Low-grade ore stockpiles mined from the open pit in 2006 will allow continued production until underground mining resumes in early 2009.

### Mutoshi net sales decrease 10% to \$24.4 million due to production of lower grade copper concentrate

Net sales compared to the third quarter 2007 decreased as a result of a 9% reduction in the tonnes of payable copper sold. This was due to lower feed grade and lower copper recoveries from processing finer grained, lower grade material.

## YTD 2008 Operating Profit

	YTD 2008		YTD 2007	
	\$ million	% of Sales	\$ million	% of Sales
Kinsevere	24.0	14	7.9	4
Dikulushi	41.1	23	103.8	57
Mutoshi	(9.2)	(5)	5.4	3
CDA <sup>1</sup>	(8.8)	(6)	(1.0)	(1)
<b>Total Operating Profit</b>	<b>47.1</b>	<b>26</b>	<b>116.1</b>	<b>63</b>

<sup>1</sup> Please refer to segment information on page 18. These are administration and technical support costs based in DRC to support the mine operations and development.

### Group operating profit decreased by 59%

Group operating profit decreased due to a decline in the operating profit at Dikulushi and Mutoshi, partially offset by full year inclusion 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.

### Kinsevere records operating profit of \$24.0 million

		YTD 2008	YTD 2007
Ore mined	tonnes	2,248,467	605,939
Ore processed	tonnes	290,808	81,006
Feed grade	% Cu	9.4	10.0
Contained copper	tonnes	27,290	8,705
Copper recovery	%	68.6	70.4
Copper produced in concentrate	tonnes	18,708	6,622
Copper produced in Blister	tonnes	161	-
Copper sold	tonnes	16,910	3,914
Operating cash cost (ex-mine gate)	\$/tonne concentrate	270	362

The operating cash cost of oxide concentrate at Kinsevere for the nine months ended September 30, 2008 was \$270 per tonne. This is lower than the cash cost for YTD Q3 2007 due to a 190% increase in tonnes produced. The Kinsevere mine commenced production only in June 2007, as compared to full nine months of operation in 2008.

### Dikulushi operating profit decreases 60% on lower sales and higher operating costs

		YTD 2008	YTD 2007
Ore mined	tonnes	81,288	14,395
Ore processed	tonnes	345,517	261,316
Feed grade	% Cu	3.4	7.5
Contained copper	tonnes	11,637	19,538
Copper recovery	%	80.0	90.2
Copper produced in concentrate	tonnes	9,304	17,618
Silver produced in concentrate	ounces	921,339	1,733,866
Copper sold	tonnes	10,651	17,901
Silver sold	ounces	1,063,185	1,801,042
Operating cash cost (ex-mine gate) (after silver credits)	\$/lb Cu	0.59	0.15
TC/RC and freight charges	\$/lb Cu	0.51	0.44
Total cash costs from operations	\$/lb Cu	1.10	0.59

Dikulushi total cash costs from operations per pound produced increased by 86% due to an absence of mining costs in the same period last year as the underground mine was still being developed; 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 \$0.26/lb Cu compared to the same period last year.

**Mutoshi operating profit decreases due to increased operating costs from processing finer grained, lower grade ore**

		YTD 2008	YTD 2007
Ore mined	tonnes	428,361	287,921
Ore processed	tonnes	373,199	242,574
Feed grade	% Cu	3.9	5.2
Contained copper	tonnes	14,624	12,732
Copper recovery	%	41.1	51.0
Copper produced in concentrate	tonnes	6,160	6,515
Copper sold	tonnes	8,257	8,594
Operating cash cost (ex-mine gate)	\$/tonne concentrate	914	528

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 pending the outcome of an investigation into alternative mining methods.

**YTD 2008 Net Income**

	YTD 2008		YTD 2007	
	\$ million	% of Sales	\$ million	% of Sales
Operating profit	47.1	27	116.0	63
Other income	6.8	4	7.4	4
General administrative and marketing costs	(18.1)	(10)	(9.0)	(5)
Provision for impairment of investments	(5.5)	(3)	(0.8)	0
Interest expenses	(1.1)	(1)	(1.1)	(1)
Exploration expenditure written off	(2.5)	(1)	(1.0)	0
Other expenses	(2.8)	(2)	(1.6)	(1)
Income tax	(10.3)	(6)	(3.8)	(2)
Non-controlling interest	(1.0)	(1)	(10.6)	(6)
<b>Net income</b>	<b>12.6</b>	<b>7</b>	<b>95.5</b>	<b>52</b>
Earnings per share				
- basic	0.18		1.52	
- diluted	0.18		1.48	
Weighted average shares outstanding				
- basic	71.1		62.8	
- diluted	71.6		64.4	

**Group net income decreases by 87% to \$12.6 million**

General, administrative and marketing expenses for the nine months ended September 30, 2008 were \$18.1 million (2007 9 months: \$9.0 million), an increase of 101% 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 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 \$12.9 million during the nine months ended September 30, 2008.

Provision for impairment of available-for-sale investments increased due to provision of \$2.6 million in connection with two specific securitised available-for-sale investments and recognition of impairment relating to a permanent diminution in the value of the Company's investment in Sub-Sahara of \$2.9 million.

Exploration expenditure of \$2.5 million was written off in relation to the Company's exploration activities on the Itogon Suyoc Resources Inc. ("Itogon") project in the Philippines, compared a write off \$1.0 million relating to the Company's exploration activities in Vietnam in 2007.

The increase in other expense compared to the same period in 2007 was due to recognition of share of loss in Sub-Sahara (\$0.9 million).

Increase in Income tax expense was due to expiry of a tax concession at Dikulushi effective September 2007 and also full nine months of operations at Kinsevere in 2008.

## YTD 2008 Cash Flows

	YTD 2008 \$ million	YTD 2007 \$ million
<b>Cash flows from:</b>		
Operating activities		
- before working capital changes	59.9	119.6
- after working capital changes	72.7	77.4
Investing activities	(157.3)	(91.4)
Financing activities	(5.3)	169.6
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(89.9)</b>	<b>155.6</b>
Cash flow per share		
- before working capital	0.84	1.91
- after working capital	1.02	1.23

Cash flow from operations in the nine months ended September 30, 2008 was \$72.7 million (nine months ended September 30, 2007: \$77.4 million), or \$1.02 per share (nine months ended September 30, 2007: \$1.23). Operating cash flows after working capital movements for the nine months ended September 30, 2008 were impacted by an increase in inventory of \$13.3 million more than offset by a decrease in accounts receivable of \$25.0 million. The increase in inventory was primarily driven by a build up of inventory of low-grade ore for the planned SX-EW plant at Kinsevere and higher levels of stores and consumables.

Investing cash outflows were \$157.3 million (nine months ended September 30, 2007: \$91.4 million). The Company incurred exploration expenditures of \$23.9 million, mainly on the Mutoshi and Kinsevere tenements. Expenditures for property, plant and equipment of \$137.5 million for the nine months ended September 30, 2008 (nine months ended September 30, 2007: \$55.7 million) were predominantly incurred in connection with the development of Kinsevere Stage II.

Financing cash outflows were \$5.3 million (nine months ended September 30, 2007: \$169.6 million cash inflows). During the nine months ended September 30, 2008 the Company provided \$1.2 million as security for the supply of equipment for the Kinsevere Stage II development. An amount of \$0.8 million was obtained as long term mortgage on property acquisition in DRC. This was offset by \$5.5 million of disbursements on behalf of the Dikulushi Trusts and \$0.7 million received from the exercise of options during the period.

## Liquidity

On July 10, the Company announced that it had entered into a binding term sheet for a private placement of 23,733,970 Common Shares of Anvil at a subscription price of C\$12.50 per Common Share, for proceeds of approximately C\$297 million.

Due to the significant deterioration in market conditions for resource companies following the announcement of the placement on July 10, 2008, the Company agreed on August 24, 2008 to revise the terms of the private placement such that the subscription price per Common Share was reduced from C\$12.50 to C\$10.00 per share, with a corresponding reduction in the gross proceeds to approximately C\$237 million.

Due to further deterioration in market conditions for resource companies subsequent to the announcement of August 24, 2008, the Company agreed to cancellation of the proposed private placement.

The Company will require additional funding in order to complete the Kinsevere Stage II development of the 60,000 tonnes per year SX-EW plant and is pursuing a number of financing alternatives including a debt finance package from a consortium of banks.

The consortium of banks has provided a non-binding term sheet and the Company has appointed advisors to assist in negotiations with the consortium and to work with other financiers that have expressed an interest in providing the Company with the required finance.

In the interim, the Company will scale back the development of Kinsevere Stage II until such time as the required funding has been secured. There can be no assurance that additional debt finance will be available to allow development to be re-commenced.

Whether or not the Company obtains funding required for completion of Kinsevere Stage II, the Company believes that it will have sufficient cash generation from operations and cash on hand to meet all of its obligations as they become due.

Should the copper price continue to deteriorate and the Company be unable to maintain a minimum cash balance, the Company would review its current operations based on the cash cost of production.

## Q3 2008 Balance Sheet

	September 30, 2008	December 31, 2007
<b>Assets (\$ million)</b>		
Cash and cash equivalents (including restricted cash)	127.0	216.1
Available-for-sale investments	42.4	63.8
Other current assets	136.0	119.4
Property, plant & equipment	305.8	228.1
Other non-current assets	92.9	61.3
<b>Total assets</b>	<b>704.1</b>	<b>688.7</b>
<b>Liabilities (\$ million)</b>		
Current liabilities	36.1	31.4
Long-term debt	0.4	-
Future income tax liability	44.1	39.6
Asset retirement obligations	12.7	11.7
<b>Total liabilities</b>	<b>93.3</b>	<b>82.7</b>
Non-controlling interests	9.3	13.9
Shareholders' equity (\$ million)	601.5	592.1
<b>Working capital (\$ million)</b>	<b>269.3</b>	<b>367.9</b>
Weighted average number of shares (for basic earnings per share)	71.1	64.7
Outstanding shares	71.2	71.1

### Cash and cash equivalents

The decrease in cash and cash equivalents to \$127.0 million for the period ended September 30, 2008 (December 31, 2007: \$216.1 million) was due to increased expenditure on the Kinsevere Stage II development, exploration activities and other capital assets.

### Current investments

The decrease in current investments to \$42.4 million for the period ended September 30, 2008 (December 31, 2007: \$63.8 million) was attributable to maturing investments (\$12.9 million) which were converted into cash;

provision for impairment of investments (\$2.6 million); and unrealized losses resulting from a \$5.8 million reduction in the market value of the Company's securitised investments.

### **Current assets**

Total current assets for the period ended September 30, 2008 decreased by \$93.9 million to \$305.4 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 \$24.9 million. The increase in inventory to \$45.5 million (December 31, 2007: \$32.2 million) was due to an increase in concentrate stockpiles at Dikulushi and Mutoshi and stockpiling of ore for future processing at the SX-EW plant currently being developed at Kinsevere. Prepaid expenses and deposits increased by \$28.1 million to \$49.6 million, consisting mainly of amounts paid to suppliers for plant and equipment required for the Kinsevere Stage II development.

### **Current liabilities**

Current liabilities at September 30, 2008 increased to \$36.1 million (December 31, 2007: \$31.4 million).

### **Total liabilities**

Total liabilities at September 30, 2008 were \$93.4 million (December 31, 2007: \$82.7 million). The increase was mainly due to an increase in 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 \$9.3 million at September 30, 2008 (December 31, 2007: \$13.9 million) was caused by losses at Mutoshi accruing to minority shareholders and disbursements on behalf of the Dikulushi Trusts during the period partially offset by profits accruing to minority shareholders of Dikulushi and Kinsevere.

### **Shareholders' equity**

Shareholders' equity as at September 30, 2008 increased by \$9.4 million to \$601.5 million mainly as a result of an increase in retained income of \$12.6 million offset by a net unrealized loss of \$5.7 million related to mark-to-market movement of available-for-sale investments.

### **Outstanding share data**

At November 12, 2008, the Company had 71,244,578 common shares outstanding. In addition, there were 2,327,986 director and employee stock options outstanding with exercise prices ranging between C\$3.80 and C\$17.04 per share.

## **Growth Activities**

### **Stage II Kinsevere**

The end of the wet season in April enabled a significant increase in construction activity during the second and third quarters on the Kinsevere Stage II project, with shipments of construction materials and key equipment steadily increasing during the third quarter. Notable construction progress has included:

- Completion of bulk foundations for the milling, leaching and Counter Current Decantation ("CCD") thickener tank areas as well as for the SX and EW cell support beams;
- Erection of stainless steel CCD tanks and leach tanks;
- Excavation works for the plant area have been completed, with excavation works on the process and event ponds well advanced;
- Construction of the Tailings Storage Facility is approximately 70% complete;
- Backfill works have continued and are now over 80% complete;
- Using the Company's batch plant, total concrete works have progressed, with about 60% now completed;
- The mill was packaged and made ready for shipment from Melbourne in October and is expected to arrive to Durban in mid November, allowing for transportation to site in December. The girth gear, motor and gear box have been delivered;
- Dispatch of key equipment continues on a regular basis, with the apron-feeder and crusher delivered to site;
- Factory acceptance testing of EW transformers, rectifiers and multi-media filters has been carried out during late October, prior to shipment which is expected to take place in late November;
- The workshop for casting of the EW cells has been erected and the overhead crane commissioned;
- Construction of the first EW cells was completed in September, with all portals for the EW building erected and cladding underway; and
- Further advance with the development of important infrastructure, with accommodation, kitchen facilities, offices and workshops in use.

## Exploration

### Kinsevere

Conclusion of Phase 3 drilling has advanced the resource modelling for Kinsevere Hill and the Kinsevere Hill extension, with optimization of an enlarged oxide pit currently underway. During the quarter, 893 metres of Reverse Circulation ("RC") drilling (9 holes) and 7,165 metres of diamond drilling (25 holes) was carried out as part of the ongoing Phase 4 drilling of the sulphide mineralization at Tshifufia and Tshifufiamashi, with over 5,500 samples pre-prepared and sent for assaying.

In order to allow for completion of an updated Mineral Resource estimate and oxide Mineral Reserve statement towards the end of 2008, the cut-off date for data to be included in the updated Mineral Resource estimate and Mineral Reserve statement has been set at August 31, 2008.

The initial metallurgical testwork results for the sulphides indicate scope for a Stage III expansion of the Kinsevere Stage II SX-EW plant. Preliminary work on the optimisation of pit design and mining schedules as well as preparation of an engineering cost study has been placed on hold.

The Company had previously reported that the results of bulk density tests carried out during 2008 indicate that in the current mining areas, the bulk density may be lower than that predicted from the core measurements and thereby represent a risk to the number of tonnes reported in the current resource estimate. The updated Mineral Resource estimate and Mineral Reserve statement is expected to be released towards the end of 2008. While definitive results are not yet available, the Company expects this to show a modest decrease in the number of tonnes reported in the oxide Mineral Resource, largely offset by an increase in the number of tonnes reported in the sulphide Mineral Resource. The updated Mineral Resource estimate and Mineral Reserve statement are expected to be sufficient to justify a Stage III expansion of the Stage II SX-EW plant.

A further updated Mineral Resource estimate and Mineral Reserve statement that includes Phase 4 drilling carried out since August 2008 is expected to be completed during the first half of 2009.

### Dikulushi

Exploration activity at Dikulushi is focused on in-mine drilling to provide a better understanding of the existing resource for underground mine planning as well as evaluating the potential for extending the current estimated mine life beyond the first quarter 2012.

During the quarter, geochemical sampling of targets to the north and north-east of Dikulushi mine was carried out. Targets were generated from airborne magnetic data and follow-up of the Kaswete copper occurrence located approximately 75km to northeast of Dikulushi mine.

A drilling program totalling 8,630 metres has commenced to infill pre-existing holes at an average across deposit interval of about 35 metres, for which a purpose built LM75-55 drill rig was purchased. With the completion of this programme, all Inferred resources are planned to be converted to an Indicated Resource category. A surface drill rig and an underground drill rig will carry out the drilling program, which is expected to be completed in the fourth quarter of 2009.

### Mutoshi

A scope drilling program at Mutoshi that commenced in March 2008, with up to eight RC and diamond drill rigs being used, concluded in July 2008. Further drilling, involving 92 RC holes for 2,080 metres was carried out at Mutoshi during the third quarter.

Drilling at Mutoshi North and Mutoshi North-west has returned consistent results, with the northern limb mineralized in copper below a leached zone, 40 metres from surface. Strike length in Mutoshi North-west is currently 1,200 metres and down dip width of 25 to 30 metres for a distance of more than 550 metres. Both the Mutoshi North and Mutoshi North-west prospects contain cobalt mineralization in the same strata-bound units where copper mineralization is observed. Four RC drill-holes were drilled at Mulusoni intersecting significant visible copper-oxide mineralization in the lower ore-body units. The strike of the mineralized syncline has grown from 300 metres to 550 metres with a width of 300 metres and a true thickness of copper-oxide mineralization of 10 metres.

Cobalt mineralization seems to be significant in most of the fragments drilled and assays returned have shown attractive, near surface cobalt grades. Metallurgical test-work is required on selected diamond core to assess the ease of extraction of the cobalt from the ore types at Mutoshi.

The objective of the scope drilling program was to outline sufficient near-surface oxide copper and cobalt mineralization, to justify development of the Mutoshi Stage II SX-EW plant. Further infill drilling and metallurgical testwork is required in order to enable completion of a Mineral Resource estimate for the Mutoshi area. More than 15,000 assays have been received for samples from the scope drilling program and more than 10,000 assay results are still awaited.

From the results of the Mutoshi scope drilling program, a grade-tonnage model has been created which has allowed for the development of preliminary mine planning and notional mining schedules for feed to the Mutoshi Stage II SX-EW plant.

The installation of a potentially low-cost Stage I Coarse Agitated Leaching facility has been considered as an interim option for processing material from the Kulumaziba river deposit, while a conventional SX-EW plant, similar to that under construction at Kinsevere, for subsequent treatment of the Mutoshi oxide resource is developed as Stage II.

In order to minimise Stage I capital expenditure, the initial proposal involves utilising the existing ROM bin and plant feed conveyor from the existing HMS plant with location of the CAL facility at the HMS plant site. GRD Minproc is currently completing an engineering cost study for the proposed Stage I and Stage II development.

#### Philippines

The Company is currently reviewing its exploration activity at the Itogon project in the Philippines and has engaged advisors to assist in identifying options to provide for the assignment of the Company's interest. As a result, the Company has elected to write off \$2.5 million of exploration expenditure in relation to exploration work carried out on these properties. This represents approximately half of the total value of exploration expenditure related to the Itogon project.

## **Outlook**

### **DRC Government Review of Mining Agreements**

The Company has concluded negotiations with Gécamines and the DRC Government on the Kinsevere Contrat d'Amodiation ("Lease Agreement"), Mutoshi joint venture ("JV") agreement and the Dikulushi Mining Convention. The Company has copies of signed minutes of meetings held with Gécamines and DRC Government officials during which the renegotiated commercial terms and conditions were agreed.

While the process to be followed to bring the DRC Government review of mining agreements to a formal conclusion has not been fully enunciated, the Company understands that the minutes have been approved by the Gécamines board and sent to Kinshasa for consideration by the Minister of Mines.

In relation to the Kinsevere Contrat d'Amodiation and Mutoshi JV agreement, it is anticipated that once the Minister of Mines has ratified the commercial terms and conditions contained in the minutes, this will conclude the negotiation, approval and ratification process, with only the execution of amendment agreements for attachment to the original agreements to be formalised. The Company expects to be in position to announce the final terms and conditions agreed between and amongst the parties following ministerial ratification of the minutes.

The process by which the renegotiated commercial terms and conditions agreed with Gécamines and the DRC Government will be formalised for Dikulushi under the Dikulushi Mining Convention, has not been communicated to the Company.

### **Operations**

#### Kinsevere

Open pit mining at the Tshifufia and Tshifufiamashi deposits and processing through the HMS plant continue to operate as expected, with annual 2008 production forecast to be approximately 27,000 tonnes of copper. The first EAF was commissioned in August 2008, but is operating below its design capacity of 12,000 tonnes of copper per year due to a combination of design, logistical, and technical factors.

The Company has identified process flow issues associated with copper metal handling and furnace feed which are currently preventing achievement of design capacity. Trial production using a method to provide for direct casting into a large mould is currently being evaluated. Conveyors, bins, screw feeders and weightometers are being upgraded to provide a more automated process. These measures are expected to increase production at the first furnace to design capacity by year end, with further work to be carried out on the second furnace. Commissioning of the second EAF has been delayed until the first furnace is operating efficiently.

#### Dikulushi

Feed to the plant continues to be sourced primarily from existing low-grade stockpiles, supplemented by a small amount of development ore, with Dikulushi on track to achieve annual production of 11,000 tonnes of copper.

The engagement during the second quarter 2008 of Byrnegut Mining International Pty Ltd as the underground mining contractor to coordinate all underground mining activities has resulted in significant improvement in the development of the underground mine with the rate of development consistently ahead of budget.

Commencement of full scale production (approximately 17,000 tonnes of copper per year) from the underground mine is expected to commence during the first quarter 2009. In order to fully utilise the mill capacity, additional feed will be sourced from the current low-grade stockpiles which currently amount to 910,000 tonnes grading at 1.2% copper and 27g/t silver.

#### Mutoshi

Owing to the progressively lower metallurgical recovery from processing finer grained, lower grade material encountered further downstream, mining operations were suspended in September. The Company expects to be in position to make a decision regarding the continuation of operations at Mutoshi by the end of 2008. Feed to the

plant continues to be sourced from existing stockpiled ore which is sufficient for the remainder of 2008. While budgeted throughput and feed grade have been achieved, copper recovery at the plant has been disappointing and forecast production for 2008 has been reduced from 9,000 tonnes of copper to 8,000 tonnes of copper. An upgrade to the HMS plant that was carried out in July had only a marginal impact on recovery of copper.

Preliminary studies on a Stage II SX-EW facility for Mutoshi are expected to be completed by the end of 2008.

## 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>	Sept 08 Quarter	Jun 08 Quarter	Mar 08 Quarter	Dec 07 Quarter	Sep 07 Quarter	Jun 07 Quarter	Mar 07 Quarter	Dec 06 Quarter
Concentrate sales (\$ million) <sup>1</sup>	42.3	59.8	75.3	79.3	76.2	65.7	42.0	42.7
Operating profit <sup>2</sup> before amortization (\$ million)	5.0	31.9	41.2	52.9	51.2	44.8	28.5	27.7
Amortization (\$ million)	(7.6)	(15.9)	(7.5)	(8.7)	(4.5)	(2.2)	(1.8)	(1.9)
Operating profit / (loss) <sup>2</sup> (\$ million)	(2.6)	16.0	33.7	44.2	46.7	42.6	26.7	25.8
Net income / (loss) (\$ million)	(17.3)	8.5	21.4	21.7	39.0	35.4	21.1	21.3
Basic Income / (loss) per share (\$)	(0.24)	0.12	0.30	0.31	0.55	0.58	0.37	0.38
Diluted Income / (loss) per share (\$)	(0.24)	0.12	0.30	0.30	0.54	0.57	0.36	0.37
<b>Production Statistics – Total</b>								
Copper produced in concentrate (tonnes)	12,107	10,521	12,027	16,878	14,772	7,942	8,041	10,523
<b>Production Statistics – Kinsevere mine</b>								
Ore processed (tonnes) <sup>3</sup>	104,414	94,404	91,990	92,155	72,639	8,367		
Copper grade % Cu	9.1	10.0	9.1	10.3	10.9	9.0		
Contained copper (tonnes)	9,467	9,424	8,399	9,448	7,951	754		
Recovery Cu %	78.4	68.3	57.8	67.6	77.0	63.7		
Copper produced in concentrate (tonnes)	7,741	6,433	4,855	6,384	6,142	480		
Copper concentrate sold (tonnes)	22,586	18,084	22,101	25,965	14,429			
Cu contained in EAF Feed	174							
Copper grade % Cu	92.7							
Copper contained in Blister copper	161							
<b>Production Statistics – Dikulushi mine</b>								
Ore processed (tonnes) <sup>3</sup>	134,994	110,990	99,533	92,121	88,574	85,480	87,262	92,755
Copper grade % Cu	2.2	3.1	5.3	8.1	7.7	7.7	7.0	6.9
Contained copper (tonnes)	2,935	3,399	5,303	7,507	6,836	6,564	6,138	6,417
Recovery Cu %	61.8	76.7	92.1	92.5	90.7	90.7	89.1	89.9
Copper produced in concentrate (tonnes)	1,813	2,607	4,885	6,943	6,198	5,951	5,469	5,774
Silver produced in concentrate (ounces)	189,867	248,816	482,655	717,402	612,739	583,269	537,858	569,655
Payable pounds of copper contained in concentrate delivered (million)	4.3	15.6	11.3	13.9	13.7	14.1	10.0	13.0
Payable ounces of silver contained in concentrate delivered	187,235	303,611	491,967	632,175	583,172	610,417	427,349	563,754
<b>Production Statistics – Mutoshi mine</b>								
Ore processed (tonnes) <sup>3</sup>	135,772	130,693	106,734	98,054	87,342	74,987	80,245	92,509
Copper grade % Cu	3.8	3.7	4.3	5.0	5.1	4.6	6.0	7.6
Contained copper (tonnes)	5,152	4,872	4,599	4,918	4,439	3,446	4,847	7,038
Recovery Cu %	46.4	30.4	49.7	72.2	54.8	44.5	52.8	62.6
Copper produced in concentrate (tonnes)	2,392	1,481	2,287	3,551	2,432	1,511	2,572	4,749
Copper concentrate sold (tonnes)	12,057	17,165	5,701	6,235	7,542	12,292	14,825	10,641

<sup>1</sup> Concentrate sales include copper and silver concentrates from Dikulushi and copper concentrates from Mutoshi and Kinsevere.

<sup>2</sup> Refer to Non-GAAP Financial Measures on page 19.

<sup>3</sup> 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 plant.

## 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 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 operation 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 heavy media separation plant 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 nine months ended September 30, 2008, segmented information is presented as follows:

	Kinsevere	Dikulushi	Mutoshi	CDA	Inter-segment	Total
Concentrate sales	64,179	88,806	24,391	-	-	177,376
Operating expenses	(24,839)	(36,089)	(30,396)	(8,033)	-	(99,357)
Amortization	(15,331)	(11,634)	(3,210)	(794)	-	(30,969)
<b>Segmented operating profit/(loss)</b>	<b>24,009</b>	<b>41,083</b>	<b>(9,215)</b>	<b>(8,827)</b>	<b>-</b>	<b>47,050</b>
Interest and financing fees	(568)	(433)	(2,151)	7	2,073	(1,072)
Other income	32	(120)	70	19,393	(12,547)	6,828
Other expenses	(7,777)	(1,660)	(3,079)	(26,883)	10,474	(28,925)
<b>Segmented profit / (loss) before under noted items</b>	<b>15,696</b>	<b>38,870</b>	<b>(14,375)</b>	<b>(16,310)</b>	<b>-</b>	<b>23,881</b>
Income taxes	(5,458)	(4,054)	(474)	(292)	-	(10,278)
Non-controlling interest	(877)	(2,070)	1,963	-	-	(984)
<b>Segmented profit / (loss)</b>	<b>9,361</b>	<b>32,746</b>	<b>(12,886)</b>	<b>(16,602)</b>	<b>-</b>	<b>12,619</b>
Property, plant and equipment	247,331	33,866	17,100	7,529	-	305,826
Total assets	370,226	67,742	81,999	184,152	-	704,119
Capital expenditures	(117,143)	(13,836)	(5,510)	(975)	-	(137,464)

## Appendix B

### Regulatory Disclosures

#### Contractual Obligations

The following table summarizes the Company's contractual and other obligations, as at September 30, 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	12.7		0.7	0.9	11.1
Capital commitments – Dikulushi, Mutoshi, Kinsevere Stage I	6.4	6.4			
Capital commitments – Kinsevere Stage II	54.5	54.5			
Equipment operating lease	2.0	0.5	1.3	0.2	
Exploration expenditure commitments	0.1	0.1			
Non-controlling interest commitments – comprises the 10% outside equity interests in the retained earnings of Anvil Mining Congo SARL	9.4	9.4			

#### 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 mine. 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 concentrate from Mutoshi and Kinsevere is 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, 2007 and December 31, 2006 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).

## New accounting policies - Capital Disclosures and Financial Instruments - Disclosures and Presentation

On January 1, 2008 the Company adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 1535: Capital Disclosures, Handbook Section 3862: Financial Instruments – Disclosures and Handbook section 3863: Financial Instruments – Presentation. Section 1535 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.

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

### Exploration Costs

The Group accumulates certain costs associated with exploration activities on specific areas of interest where the Group has rights of tenure. The Group's policy is to expense any exploration and associated costs relating to non-specific projects and properties. Significant property acquisition, exploration, evaluation and development costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned or placed into production. No costs are deferred on a mineral property that is considered to be impaired in value. As at September 30, 2008, the Group had deferred exploration and acquisition costs of approximately \$70.8 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 CICA in relation to Asset Retirement Obligations.

### Income Taxes

As at September 30, 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:

<b><u>Period</u></b>	<b><u>% of Professional Tax Rate</u></b>	<b><u>Effective Income Tax Rate</u></b>
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>

<sup>1</sup> 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%.

## **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 at [www.sedar.com](http://www.sedar.com).

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

The Company's certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to financial and operational conditions impacting disclosure for the quarter ended September 30, 2008 is made known to them. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level. Management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. The inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

During the quarter ended September 30, 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 those with respect to 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 copper and silver, changes in project parameters as plans continue to be evaluated, and the possibility of cost overruns, as well as those factors disclosed in the Company's filed documents. There can be no assurance that the Stage II expansion of the Kinsevere copper mine will proceed as planned or be successfully completed within expected time limits and budgets or that, when completed, the expanded facility will operate as anticipated. In addition, there can be no assurance that the final outcome of the DRC Government review of mining agreements in the DRC, 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).