

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## First Quarter Ended March 31, 2008

Set out below is a review of the activities, results of operations and financial condition of Anvil Mining Limited (the "Company") and its subsidiaries (collectively, the "Group" or "Anvil") for the quarter ended March 31, 2008. This information is presented as of May 12, 2008. The discussion below should be read in conjunction with the unaudited consolidated financial statements of the Company for the quarter ended March 31, 2008 and the notes thereto. The Company's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Capitalized terms used and not defined below have the meanings given to them in the consolidated financial statements and the notes thereto. References below to "\$" or "US dollar" refer to United States dollars. The Company uses the US dollar as its reporting currency. Certain financial information relating to Anvil set out below originates in Canadian dollars ("C\$"), or Australian dollars ("A\$"), and has been translated into US dollars, based on prevailing exchange rates and in accordance with Note 2 to the audited consolidated financial statements for the year ended December 31, 2007.

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).

This management's discussion and analysis of financial condition and results of operations is as of May 12, 2008.

### HIGHLIGHTS for the first quarter ended March 31, 2008<sup>1</sup>

- Net copper concentrate sales of \$75.3 million, an increase of 79% compared to Q1 2007, due to an increase in the realized copper price of 26% and a 43% increase in tonnes of payable copper sold.
- Operating profit of \$33.7 million, an increase of 26% compared to Q1 2007.
- Income before interest, tax and depreciation and amortisation ("EBITDA") of \$37.8 million, an increase of 41% compared to Q1 2007.
- Income before interest and tax ("EBIT") of \$30.3 million, an increase of 22% compared to Q1 2007.
- Net income of \$21.4 million (\$0.30 per share), an increase of 2% compared to Q1 2007.
- Cash flows from operating activities, before working capital movements, of \$35.3 million (\$0.50 per share), an increase of 35% compared to Q1 2007.
- Quarterly production of 12,027 tonnes of copper and 482,655 ounces of silver produced in concentrate, an increase of 50% and decrease of 10% respectively compared to Q1 2007.
- The Dikulushi underground mine supplied sufficient high-grade ore during the quarter to enable production of budgeted tonnes of copper, however development metres were below budget which will adversely impact ore production from the underground mine for the remainder of the year.
- Construction costs for Kinsevere Stage II have increased to \$380 million, an increase of \$123 million from the previously released feasibility study.

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<sup>1</sup> It should be noted that comparisons with the first quarter 2007 are significantly impacted by the fact that the Kinsevere mine was not yet in production in the first quarter of 2007.

## Near-term Objectives (2008)

- Commissioning of the first Electric-Arc Furnace (“EAF”) at Kinsevere during Q2 2008.
- Completion of the transmission line at Kulu, connecting to the hydroelectric power grid.
- Review of development and stoping approaches at Dikulushi to improve extraction and safety.
- Resolution of current uncertainties in relation to the Mining Commission Review in the Democratic Republic of Congo (“DRC”).
- Completion of installation of ground water pumps at Kinsevere to de-water the open pits during the wet season.
- Completion of a pre-feasibility study for construction of a Vat Leach / Solvent Extraction and Electrowinning (“SX-EW”) plant to process resources in the Mutoshi area.

## Longer-term Objectives (2009 onwards)

- Complete resource evaluation at the Mutoshi area.
- Construction of a Vat Leach / SX-EW plant to process resources from the Mutoshi area.
- Exploitation of open-pittable deposits near the Dikulushi mine to supplement production from the underground mine.

## Key Group Results

First Quarter (Q1)		Q1 2008		Q1 2007	
			% of Sales		% of Sales
Production	t Cu	12,027		8,041	
Sales <sup>1</sup>	t Cu	12,424		8,434	
Concentrate stockpiles	t Cu	5,895		5,143	
Net sales	\$ million	75.3	100	42.0	100
Operating profit	\$ million	33.7	45	26.7	63
Net income	\$ million	21.4	28	21.1	50
Basic EPS	\$	\$0.30		\$0.37	

<sup>1</sup> Sales of copper reflect Kinsevere and Kulu copper concentrate sold at mine gate at a discount to LME price.

## Copper Production (tonnes)

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06
<b>Total</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>	<b>12,816</b>	<b>11,098</b>
Dikulushi	4,885	6,943	6,198	5,951	5,469	5,774	5,738	5,601
Kinsevere	4,855	6,384	6,142	480	-	-	-	-
Kulu	2,287	3,551	2,432	1,511	2,572	4,749	7,078	5,497

## Q1 2008 Net Sales

(After treatment and refining charges("TC/RCs"))		Q1 2008	Q1 2007
		\$ million	\$ million
Dikulushi	- Copper	41.6	27.6
	- Silver	9.8	5.6
Kinsevere	- Copper	20.7	-
Kulu	- Copper	3.2	8.8
Net Sales		75.3	42.0
<b>Copper selling price</b>		<b>\$/lb</b>	<b>\$/lb</b>
Current period sales <sup>1</sup>		3.48	2.63
Prior period provisional pricing adjustment		0.18	0.38
TC/RC and freight charges <sup>1</sup>		(0.07)	(0.16)
Realized copper price		3.59	2.84

<sup>1</sup> Sales of copper concentrate at Kinsevere and Kulu 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 increase 79% to \$75.3 million owing to increased copper production and higher copper prices

Net sales increased owing to an increase in the tonnes of copper sold (up 43% to 8,283 tonnes of payable copper) and an increase in the realized copper price recognized during the quarter (up 26%). Group copper production was 50% higher than the comparative quarter in 2007. The average LME copper price increased by 31% compared to the March 2007 quarter. Reductions in TC/RCs also contributed to the higher net sales.

### Dikulushi net sales increase 55% to \$51.4 million owing to higher realized copper prices

Net sales compared to the same quarter in 2007, increased as a result of a 13% increase in the tonnes of payable copper sold and an increase in the realized copper price. However copper production decreased by 11% owing to processing of lower grade ore, partially offset by improved recovery rates from 89.1% in the March 2007 quarter compared to 92.1% in the current quarter.

### Kinsevere net sales of \$20.7 million in its third quarter since commencement of commercial production

Copper production for the current quarter was less than the previous quarter due to higher content of fine materials in ore fed to the plant resulting in lower recovery.

### Kulu net sales decrease 63% to \$3.2 million due to production of low grade copper concentrate

Net sales compared to the same quarter in 2007, decreased as a result of a 66% reduction in the tonnes of payable copper sold, despite higher realized prices. This was owing to lower feed grade and lower copper recoveries from processing finer grade material. Sales contracts are currently being renegotiated with offtakers to clear the backlog of low grade concentrate stockpile, which at the end of Q1 amounted to 3,463 tonnes.

## Q1 2008 Operating Profit

	Q1 2008		Q1 2007	
	\$ million	% of Sales	\$ million	% of Sales
Dikulushi	33.2	44	23.4	56
Kinsevere	6.4	8	-	-
Kulu	(3.3)	(4)	4.0	9
CDA <sup>1</sup>	(2.6)	(3)	(0.7)	(2)
<b>Total Operating Profit</b>	<b>33.7</b>	<b>45</b>	<b>26.7</b>	<b>63</b>

<sup>1</sup> Please refer to segment information on page 14. These are administration and technical support costs based in DRC to support the mine operations and development.

### Group operating profit increases 26% to \$33.7 million owing to increased sales volume and increased metal prices, offset by higher cash costs

Group operating profit increased due to the contribution from Kinsevere which was not in operation in the first quarter of 2007. Operating profit also increased at Dikulushi due to increased sales volume and an increase in the realized copper price. However the profit margin of 45% of sales in the current quarter was lower by 28% compared to the same quarter last year, due mainly to losses at Kulu from production of lower grade ore, lower volume of ore mined from the underground mine at Dikulushi, and increased off-site African based administrative support (CDA) required for support of the three operating mines and development of the SX-EW plant. No underground mining costs were incurred at Dikulushi in Q1 2007 as the underground mine was being developed and those costs were being capitalised.

### Dikulushi operating profit increases 42% on higher sales however offset by higher operating costs

<u>Dikulushi</u>		Q1 2008	Q1 2007
Ore mined	tonnes	32,864	4,303
Ore processed	tonnes	99,533	87,262
Feed grade	%	5.3	7.0
Contained copper	tonnes	5,303	6,138
Copper recovery	%	92.1	89.1
Copper produced in concentrate	tonnes	4,885	5,469
Silver produced in concentrate	ounces	482,655	537,858
Copper sold	tonnes	5,274	4,730
Silver sold	ounces	521,987	474,832
Operating cash cost (ex-mine gate) (after silver credits)	\$/lb Cu	0.21	(0.06)
Treatment, refining and freight charges	\$/lb Cu	0.49	0.46
<b>Total cash costs from operations</b>	<b>\$/lb Cu</b>	<b>0.70</b>	<b>0.40</b>

Dikulushi total cash costs from operations increased by 75% mainly due to the lower volume of ore mined from the underground mine as a result of significant waste being transported to surface. Studies are being conducted to determine more efficient means of mining ore. The underground mine was being developed in the first quarter last year when costs were capitalised and stockpiled ore was processed.

### Kinsevere records operating profit of \$6.4 million in its third full quarter of production

Kinsevere		Q1 2008	Q1 2007
Ore mined	tonnes	388,958	-
Ore processed	tonnes	91,990	-
Feed grade	%	9.1	-
Contained copper	tonnes	8,399	-
Copper recovery	%	57.8	-
Copper produced in concentrate	tonnes	4,855	-
Copper sold	tonnes	5,952	-
Operating cash cost (ex-mine gate)	\$/tonne concentrate	374	-

The operating cash cost per tonne of oxide concentrate at Kinsevere for the current quarter was \$374 per tonne. The operating profit was impacted by higher amortisation costs of the acquisition value paid for the 95% interest of Kinsevere (capital cost \$98.0 million) and the asset retirement obligation (capital cost \$9.6 million) being amortised over the life of mine on a unit of production method. These costs were not reflected in the comparative quarter in 2007 as commercial production had not commenced.

### Kulu records operating loss as decline in grade of ore and recovery impacts results

Kulu		Q1 2008	Q1 2007
Ore mined	tonnes	87,956	17,223
Ore processed	tonnes	106,734	80,245
Feed grade	%	4.3	6.0
Contained copper	tonnes	4,599	4,847
Copper recovery	%	49.7	52.8
Copper produced in concentrate	tonnes	2,287	2,558
Copper sold	tonnes	1,198	3,704
Operating cash cost (ex-mine gate)	\$/tonne concentrate	561	293

The operating cash cost per tonne of oxide concentrate at Kulu for the 2008 March quarter was \$561 per tonne, an increase of 91% compared to the same period last year due to lower feed grade and lower copper recoveries from processing finer grained material. This has resulted in delays in fulfilling sales contract orders per terms of various contracts. Contracts have been renegotiated in order to reduce the concentrate stockpile.

## Q1 2008 Net Income

	Q1 2008		Q1 2007	
	\$ million	% of Sales	\$ million	% of Sales
Operating profit	33.7	45	26.7	63
Other Income	2.7	3	1.1	3
General, administrative and marketing costs	(5.3)	(7)	(2.4)	(6)
Interest expenses	(1.5)	(2)	(0.4)	(1)
Other expenses	(1.0)	(1)	(0.5)	(1)
Income tax	(5.6)	(8)	(0.8)	(2)
Non-controlling interest	(1.6)	(2)	(2.6)	(6)
Net income	21.4	28	21.1	50
Income per share				
- basic	\$0.30		\$0.37	
- diluted	\$0.30		\$0.36	
Weighted average shares outstanding				
- basic	71.1		56.7	
- diluted	71.8		58.0	

### Group net income increases 2% to \$21.4 million

Higher realized copper prices and commencement of commercial production at Kinsevere contributed positively to net income but these were offset by decreased profitability at Kulu and higher mining costs at Dikulushi due to commercial operation of underground mining compared to the same period in 2007 when it was still in development and costs were being capitalised. There were also higher income tax charges (\$4.0 million) as a result of the scheduled change in tax rates under the Dikulushi convention, and increases in general, administrative and marketing costs.

General, administrative and marketing expenses for the quarter ended March 31, 2008 were \$5.3 million (2007 March quarter: \$2.4 million), an increase of 121% over the same period in 2007. This was due mainly to the recruitment of additional senior technical and administrative staff to support the Company's expansion and other non-recurring expenses.

Increase in other income is driven by higher interest income earned on the Group's portfolio of available-for-sale investments.

Increase in interest expense is primarily attributable to unrealized loss on the mark-to-market of forward South African rand contracts, along with accretion expense for asset retirement obligation.

## Q1 2008 Cash Flows

	Q1 2008 \$ million	Q1 2007 \$ million
<b>Cash flows from:</b>		
Operating activities		
- before working capital changes	35.3	26.2
- after working capital changes	19.0	15.8
Investing activities	(42.6)	(56.1)
Financing activities	0.3	(2.4)
Net increase/(decrease) in cash and cash equivalents	(23.3)	(42.7)
Cash flow per share		
- before working capital	0.50	0.46
- after working capital	0.27	0.28

Cash flow from operations in the 2008 March quarter was \$19.0 million (2007 March quarter: \$15.8 million), or \$0.27 per share (2007 March quarter: \$0.28). The increase in operating cash flows was mainly due to Kinsevere operations which were not operating in the comparative quarter of 2007. Change in working capital from \$10.4 million to \$16.3 million is primarily due to an increase in inventory of low-grade ore for the planned SX-EW plant at Kinsevere and higher levels of stores and consumables. Working capital was also affected by an increase in accounts receivables largely impacted by higher copper prices.

Investing cash outflows were \$42.6 million (2007 March quarter: \$56.1 million). The Company incurred exploration expenditures of \$4.8 million on the Mutoshi, Kinsevere tenements. Expenditures for property, plant and equipment of \$39.2 million for the current quarter (2007 March quarter: \$22.1 million) were predominantly incurred in connection with the development of Kinsevere Stage II. Investing cash outflows from the current quarter however did not include any expenditure for acquisitions of investments, whereas the same period last year included payment of \$36 million for the additional 15% interest in Kinsevere.

Net financing cash inflows were \$0.3 million (2007 March quarter: \$2.4 million cash outflows). An amount of \$0.8 million was obtained as long term mortgage on property acquisition in DRC. This was offset by \$0.8 million of disbursements on behalf of the Dikulushi Trusts and \$0.3 million received from the exercise of options during the quarter.

## Liquidity

Based on targeted production and current metal prices, the Company expects to have sufficient funds to meet its forecast operating and development expenditures. In addition, the Company is in the process of completing due diligence for a \$100 million debt facility. The finalization of this facility may however be negatively impacted by any delay in the resolution of the current DRC Mining Commission Review of the Company's properties.

## Q1 2008 Balance Sheet

	March 31, 2008	December 31, 2007
<b>Assets (\$ million)</b>		
Cash and cash equivalents (including restricted cash)	192.7	216.1
Investments	62.7	63.8
Current assets	394.7	399.3
Total assets	714.4	688.7
<b>Liabilities (\$ million)</b>		
Current liabilities	29.2	31.4
Long-term debt	0.5	-
Future income tax liability	43.1	39.6
Asset retirement obligations	12.4	11.7
Total liabilities	85.2	82.7
<b>Non-controlling interests</b>	14.7	13.9
<b>Shareholders' equity (\$ million)</b>	614.4	592.1
<b>Working capital (\$ million)</b>	365.5	367.9
Weighted average number of shares		
(for basic Income per share)	71,123,595	64,715,747
Outstanding shares	71,141,910	71,115,244

### Cash and cash equivalents

The decrease in cash and cash equivalents (including restricted cash) to \$192.7 million for the quarter ended March 31, 2008 (December 2007: \$216.1 million) was mainly due to higher expenditure on the development of Kinsevere Stage II.

### Current Investments

The decrease in current investments to \$62.7 million for the quarter ended March 31, 2008 (December 2007: \$63.8 million) is attributable to investments maturing (\$1.2 million) and being converted into cash.

### Current assets

Total current assets for the quarter ended March 31, 2008 decreased by \$4.6 million to \$394.7 million (December 2007: \$399.3 million). In addition to the movement in cash and investments outlined above, there was an increase in accounts receivables to \$71.7 million (December 2007: \$65.7 million). This was due to renegotiated contracts with major off-takers for the current year extending payment terms, however providing commitment to purchase greater quantities of concentrate. The increase in inventory to \$38.9 million (December 31, 2007: \$32.2 million) is due to a backlog of concentrate stockpiles at Kulu. Low grade ore has also been stockpiled for processing at the SX-EW plant currently being developed at Kinsevere. Prepaid expenses and deposits increased by \$7.1 million to \$28.6 million, consisting mainly of amounts paid to suppliers for plant and equipment required for the Kinsevere Stage II development.

### Current liabilities

Current liabilities as at March 31, 2008 decreased to \$29.2 million (December 2007: \$31.4 million). This decrease is due to payment of income taxes of \$2.9 million during the quarter.

### Total liabilities

Total liabilities as at March 31, 2008 were \$85.2 million (December 2007: \$82.7 million). The increase was mainly due to increase in deferred tax liability relating to timing differences on depreciation of assets in DRC.

### Non-Controlling Interests

The increase in non-controlling interests to \$14.7 million as at March 31, 2008 (December 2007: \$13.9 million) consists of profits attributable to non-controlling interests of \$0.3 million in AMCK Mining s.p.r.l. ("AMCK") (December 2007: \$0.5 million) and \$2.0 million in Anvil Mining Congo s.a.r.l. ("AMC") (December 2007: \$12.5 million) and (\$0.7) million in Société Minière de Kolwezi s.p.r.l. ("SMK") (December 2007: \$0.2 million). These were partially offset by \$0.8 million disbursed on behalf of the Dikulushi Trusts during the quarter.

**Shareholders' equity**

Shareholders' equity as at March 31, 2008 increased by \$22.3 million to \$614.4 million as a result of an increase in retained Income of \$21.4 million due to net income from the current quarter.

**Outstanding Share Data**

At May 12, 2008, the Company had outstanding 71,151,910 common shares. In addition, there were outstanding 2,483,353 director and employee stock options with exercise prices ranging between C\$3.80 and C\$17.04 per share.

## Growth Activities

### Stage II Kinsevere

The development of the Kinsevere Stage II project is progressing, with construction expected to be completed during the second half of 2009. Progress to date has been slower than forecast but activity is expected to increase substantially, now that the wet season is over.

At the SX-EW plant site, ground preparation has been the main area of focus in the latter part of the first quarter, a concrete batch plant is to be commissioned in the second quarter of 2008, foundation work has started at the crushing and leach agitator sites and further progress has been achieved with:

- Finalization and issue of the process flow drawings.
- Completion of the bulk earthworks for the plant area.
- Commencement of fabrication of the leach tanks.
- Mobilization of the contractor fleet for the tailings dam.
- Continuation of fabrication of the Ball Mill and Thickener Tank.

A power purchase agreement was signed in December 2007 with Société Nationale d'Électricité, the DRC government electricity company, for the supply of 39.5MW of hydro-electrical power. The new 27 km 120kV transmission line, which connects the Kinsevere mine to the DRC national hydroelectric grid, has been commissioned. The new transmission line has been designed so as to be capable of fully supporting the power demands of the planned Stage II development of the 60,000 tonnes per year SX-EW plant. On-site diesel powered generators remain on standby, for any power interruption to sustain HMS Plant operations.

The mine access road alongside the 120kV transmission line has been formed. As a result, traffic through villages located on the original refurbished access road located further to the west has been significantly reduced and is essentially used for transport of Kinsevere employees.

The feasibility study for the project estimated the capital cost through to completion at \$257 million. The capital cost is now expected to be \$380 million with approximately 75% expected to be incurred during 2008 and the balance in 2009.

This revised construction cost estimate reflects the general cost escalation currently affecting the construction of new projects in the mining sector worldwide. The Company faces challenging conditions in the DRC with regards to the logistics and transportation of parts and equipment to site. In addition, increases in the price of fuel, materials, and steel, as well as the increased global demand for construction and engineering labour have had an important impact on the revised cost estimate.

### Exploration

At March 31, 2008, the Company had deferred exploration and acquisition costs of \$54.4 million (December 2007: \$49.7 million), comprising exploration and acquisition expenditures on the Dikulushi tenements (\$5.5 million), Mutoshi tenements (\$34.7 million), Kinsevere tenements (\$10.4 million) and Philippines tenements (\$3.8 million). A significant portion of these exploration and acquisition expenditures consist of the acquisition, at fair value, of exploration property at the Mutoshi project (\$26.4 million) and the Kinsevere project (\$1.5 million).

#### Dikulushi

During the quarter, exploration activities concentrated on six near mine open-pit targets around the Dikulushi Anticline which were delineated by ground magnetics and geochemical prospecting during 2007. During the quarter, 6,600m of Reverse Circulation ("RC") drilling from 74 holes was completed using two contracted rigs. The most noteworthy intersections during this drilling program were at the Boom Gate anomaly situated just over a kilometre south of the Dikulushi open pit. The steeply dipping mineralization which has been disrupted by faulting is over 200m long, at least 7m wide and open ended beyond 85m depth. The near surface mineralisation is mainly oxide, but sulphide veinlets occur increasingly at depth. Further follow-up RC drilling is expected to be completed on this prospect during the second quarter of 2008. Deep diamond drilling will likely commence in the second quarter, 2008 to depth test the sulphide mineralisation. Thereafter drilling will commence on the Kabusanje geochemical anomaly, 8km north of the mine. Exploration efforts in the first half of 2008 will continue to be focused on near mine anomalies in the Dikulushi Corridor to supplement plant feed to the Dikulushi flotation plant.

## Kinsevere

An initial 25,000m Phase 4 drilling program has commenced to determine down dip sulphide extensions of these deposits to a depth of 250m. This consists of RC pre-collars drilled to approximately 130m, with the rest of the hole being tailed by diamond drilling. During the quarter 6,756m of RC (49 holes) and 3,222 meters of diamond drilling (10 holes) were completed as part of Phase 4. Work is expected to be completed early in the third quarter of 2008. There have been 52 aircore holes (7,765m) drilled and the sterilization drilling program to a depth of 60m has been completed. Trace sulphide mineralization has been intersected in some of these holes which may require further evaluation.

All the assays have been received from the Phase 3 drilling of the Tshifufia, Tshifufiamashi, Kinsevere Hill and Kinsevere NW (Kilongo). Based on these results and the results of the on-going Phase 4 drilling a new resource estimate for the Kinsevere deposit is expected to be reported in the third quarter of 2008. The Phase 4 drilling will continue well into the second quarter of 2008.

## Mutoshi

During the quarter 5,576m of RC and aircore drilling (124 holes) and 2,788m of diamond drilling (21 holes) was completed on a number of priority prospects; notably the RAT brèche, Mutoshi North and Kinanga prospects, all situated close to the Mutoshi open pit. The security situation is now stabilized and the program is expected to accelerate in the second quarter of 2008. The scoping program on all these reports is expected to be completed within the third quarter of 2008. Due to delays in the turnaround of assays from external laboratories it is not expected that NI 43-101 compliant results of this program can be reported until the end of the second quarter of 2008. Splits of all the mineralised sections are however being fast-tracked through the Kulu lab and these results are being progressively received to guide the future drilling program.

## Philippines

During the fourth quarter of 2007, the Company commenced surface drilling at the Itogon Project as well as rehabilitation of the main Level 500 adit to provide access to underground drill sites. As at March 31, 2008, 3,478m has been drilled from surface and whilst some results have been received, they have not yet been sufficiently evaluated. Rehabilitation of the underground development is nearing the first drill sites and drilling is expected to start for priority underground targets in the second quarter.

## **Community Development**

The Company's community development programs in the DRC remain focused on supporting the activities that have been prioritized through the 48 local community development committees. Health, education, local agriculture, employment and small business development are the basis of Anvil's 2008 social development program.

At the regional and provincial level, the Company and its development partner, Pact Inc, a Washington based NGO, are working with the appropriate ministries to ensure close collaboration with the government's poverty reduction plan. The Company continues to support the development of multi-sector private/public partnerships in areas such as HIV/Aids education and teacher training.

The comprehensive implementation of the Voluntary Principles on Security and Human Rights, initiated by the Company in the last half of 2007, remains on schedule. In addition to the Company's internal efforts, work is progressing on the development of a resource guide that can support the efforts of other similarly sized mining companies operating in countries with higher levels of risk associated with conflict.

## **Mining Commission Review**

In early February 2008, Anvil received letters from the Minister of Mines for the DRC notifying Anvil of the results of the review by the DRC Government with respect to the Dikulushi, Kulu and Kinsevere mining properties held by Anvil's subsidiaries. The letters from the Minister included a statement of terms upon which the Government proposes discussions be based to balance the partnership between the DRC and Anvil.

On February 29, 2008, the Company submitted responses to each of the letters received from the Minister of Mines for the DRC concerning results of the review by the DRC Government with respect to the Dikulushi, Kulu, and Kinsevere mine properties. Further to this submission of responses, on April 1, 2008, AMCK and SMK received letters from La Générale des Carrières et des Mines ("Gécamines") requesting a meeting concerning the review of mining agreements by the DRC Government. These meetings are expected to take place in the second quarter 2008.

Since submitting the Company's response at the end of February, there has been no further request for information from the DRC Government.

## **Outlook**

### **Forecast 2008 production**

As a result of reduced forecast production at both Dikulushi and Kulu discussed below, the Company now forecasts total annual production for 2008 of approximately 47,000 tonnes of copper and 950,000 ounces of silver.

#### **Dikulushi**

Despite the Dikulushi operation achieving its copper and silver production targets for the first quarter of 2008, the extraction of ore from the underground stopes and the rate of underground development at Dikulushi were less than expected. As a result, forecast production at Dikulushi for the year has been reduced to approximately 11,000 tonnes of copper and 950,000 ounces of silver.

The Company is currently carrying out a detailed analysis of stoping practices to determine the most appropriate mining method for the underground mine. Until an appropriate mining method has been decided upon, feed to the plant will be sourced primarily from stockpiled HMS floats and tails, supplemented with ore from the underground mine. A life-of-mine plan for the Dikulushi underground mine is expected to be completed during the third quarter of 2008.

Project work on the development of the underground mine completed during the quarter included underground ventilation and services studies, together with formalization of resource definition drilling programs.

#### **Kulu**

As mining progresses further downstream at the Kulu operation, finer grained, lower grade material is being encountered, which has a poor metallurgical recovery through the HMS plant. As a result, forecast production has been reduced to approximately 9,000 tonnes of copper.

In order to more effectively process finer grained and lower grade material, additional modifications to the existing HMS plant are being carried out and are expected to be completed in the third quarter of 2008. As a result of the lower grade and finer material being encountered, the Company has decided to undertake an engineering cost study for the construction of an expandable 15,000 tonnes of contained copper per year Vat Leach /SX-EW processing facility. This study commenced in February 2008 and is expected to be completed in the second quarter of 2008.

#### **Kinsevere**

Forecast production at Kinsevere remains unchanged at approximately 27,000 tonnes of copper.

Mining operations continued normally during the first quarter. Installation of groundwater dewatering infrastructure continued, with pump and piping upgrades and additional bore holes brought on line.

Open pit mining operations are well established on both the Tshifufia and Tshifufiamashi deposits. Flexibility of mining operations yields ample HMS plant feed stocks, permitting consistent feed rates for processing.

The HMS plant, successfully commissioned in June 2007 will have a third phase, a spirals plant, added to treat the fine effluent. Targeted commissioning date for installation of the spirals plant is late in the second quarter of 2008. The commissioning of the first EAF furnace is also expected before the end of the second quarter 2008.

The tailings storage facility for the concentrator fine effluent is to be upgraded in the second quarter of 2008. Downstream construction will be employed to achieve designed storage to mid 2009. The HMS tailings, both concentrator fines and floats, are expected to be re-processed through the Stage II SX-EW plant.

## 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>	Mar 08 Quarter	Dec 07 Quarter	Sep 07 Quarter	Jun 07 Quarter	Mar 07 Quarter	Dec 06 Quarter	Sep 06 Quarter	Jun 06 Quarter
Concentrate sales (\$ million) <sup>1</sup>	75.3	79.3	76.2	65.7	42.0	42.7	56.6	43.0
Operating profit <sup>2</sup> before amortization (\$ million)	41.2	52.9	51.2	44.8	28.5	27.7	40.1	29.5
Amortization (\$ million)	(7.5)	(8.7)	(4.5)	(2.2)	(1.8)	(1.9)	(2.1)	(1.8)
Operating profit <sup>2</sup> (\$ million)	33.7	44.2	46.7	42.6	26.7	25.8	38.0	27.7
Net income (\$ million)	21.4	21.7	39.0	35.4	21.1	21.3	30.2	22.5
Basic Income per share (\$)	0.30	0.31	0.55	0.58	0.37	0.38	0.54	0.42
Diluted Income per share (\$)	0.30	0.30	0.54	0.57	0.36	0.37	0.53	0.41
<b>Production Statistics – Total</b>								
Copper produced in concentrate (tonnes)	12,027	16,878	14,772	7,942	8,041	10,523	12,816	11,098
<b>Production Statistics – Dikulushi mine</b>								
Ore processed (tonnes) <sup>2</sup>								
Copper grade %	5.3	8.1	7.7	7.7	7.0	6.9	5.6	4.6
Contained copper (tonnes)	5,303	7,507	6,836	6,564	6,138	6,417	6,409	6,278
Recovery Cu %	92.1	92.5	90.7	90.7	89.1	89.9	89.5	89.1
Copper produced in concentrate (tonnes)	4,885	6,943	6,198	5,951	5,469	5,774	5,738	5,601
Silver produced in concentrate (ounces)	482,655	717,402	612,739	583,269	537,858	569,655	545,438	526,513
Payable pounds of copper contained in concentrate delivered (million)	11.3	13.9	13.7	14.1	10.0	13.0	12.2	10.4
Payable ounces of silver contained in concentrate delivered	491,967	632,175	583,172	610,417	427,349	563,754	491,242	441,277
<b>Production Statistics – Kulu mine</b>								
Ore processed (tonnes) <sup>3</sup>	106,734	98,054	87,342	74,987	80,245	92,509	82,424	80,848
Copper grade %	4.3	5.0	5.1	4.6	6.0	7.6	8.2	8.5
Contained copper (tonnes)	4,599	4,918	4,439	3,446	4,847	7,038	6,757	6,920
Recovery Cu %	49.7	72.2	54.8	44.5	52.8	62.6	70.1	72.6
Copper produced in concentrate (tonnes)	2,287	3,551	2,432	1,511	2,572	4,749	7,078	5,497
Copper concentrate sold (tonnes)	5,701	6,235	7,542	12,292	14,825	10,641	19,131	7,340
<b>Production Statistics – Kinsevere mine</b>								
Ore processed (tonnes) <sup>3</sup>	91,990	92,155	72,639	8,367				
Copper grade %	9.1	10.3	10.9	9.0				
Contained copper (tonnes)	8,399	9,448	7,951	754				
Recovery Cu %	57.8	67.6	77.0	63.7				
Copper produced in concentrate (tonnes)	4,855	6,384	6,142	480				
Copper concentrate sold (tonnes)	22,101	25,965	14,429					

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

<sup>2</sup> Refer to Non-GAAP Financial Measures on page 15.

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

## Segment Information

The Company's reportable operating segments are strategic business units that produce different but related products or services. Each business unit is managed separately because each requires different technology and marketing strategies.

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

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

### Kulu copper operation – 80% ownership

The Kulu operation is located in the Katanga province of the DRC. The operation commenced in 2005, and produces an oxide copper concentrate.

### Kinsevere copper operation – 95% ownership

The Kinsevere operation is located in the Katanga province of the DRC. The operation is currently being developed in two stages. Stage I consists of an HMS Plant and an EAF. The HMS plant was successfully commissioned in June 2007 producing copper concentrate, and the EAF is expected to be commissioned during the second quarter of 2008. Stage II includes development of a 60,000 tonnes *per annum* SX-EW plant which will produce LME grade A copper cathodes.

### 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 quarter ended March 31, 2008, segmented information is presented as follows:

	Dikulushi	Kulu	Kinsevere	CDA	Inter-segment	Q1 2008 Total
Concentrate sales	51,394	3,229	20,644	-	-	75,267
Operating expenses	(16,410)	(5,553)	(9,669)	(2,426)	-	(34,058)
Amortization	(1,813)	(938)	(4,550)	(192)	-	(7,493)
Segmented operating profit (loss)	33,171	(3,262)	6,425	(2,618)	-	33,716
Interest and financing fees	(433)	(570)	(189)	(746)	492	(1,446)
Other income	(149)	20	8	6,137	(3,197)	2,819
Other expenses	(845)	(329)	(1,531)	(6,406)	2,705	(6,406)
Segmented profit before under noted items	31,744	(4,141)	4,713	(3,633)	-	28,683
Income taxes	(4,011)	(48)	(2,035)	497	-	(5,597)
Non-controlling interest	(2,077)	697	(267)	-	-	(1,647)
Segmented profit	25,656	(3,492)	2,411	(3,136)	-	21,439
Property, plant and equipment	31,401	17,714	193,078	9,936	-	252,129
Total assets	101,518	74,330	261,042	277,471	-	714,361
Capital expenditures	2,020	4,210	29,866	3,146	-	39,242

## Appendix B

### Regulatory disclosures

#### Seasonality

The Company's results as discussed in the MD&A are subject to seasonal aspects, in particular the wet season in DRC. The wet season in DRC generally starts in November and continues through until April with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the wet season, pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is also higher.

#### Contractual Obligations

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

Payments due by period	Total \$ million	Less than 1 year \$ million	1 – 3 years \$ million	4 – 5 years \$ million	More than 5 years \$ million
Term debt	0.8	0.2	0.6		
Environmental and mine closure liabilities	12.4	-	0.7	0.9	10.8
Capital commitments – Dikulushi, Kulu and Kinsevere mines and Anvil Mining Services s.p.r.l.	46.2	46.2	-	-	-
Equipment operating lease	2.1	0.5	1.3	0.3	-
Exploration expenditure commitments	0.2	0.2	-	-	-
Non-controlling interest commitments – comprises the 10% outside equity interests in the retained Income of AMC	12.7	12.7	-	-	-

#### 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 Kulu 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 Kulu 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. 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 March 31, 2008, the Group had deferred exploration and acquisition costs of approximately \$54.4 million associated with exploration properties in Africa and south-east Asia.

### Restoration, rehabilitation and environmental expenditure

Expenditures related to ongoing restoration, rehabilitation and environmental obligation activities are accrued and expensed as incurred and included in the relevant exploration activity cost or as part of the cost of production, where the expenditures are in relation to current mining operations.

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

### Income Taxes

As at March 31, 2008, the Group has estimated its future recoverable income tax losses in Canada, Australia, the DRC and Zambia. The recoverability of losses is dependent upon the ability to generate positive future taxable income to offset the existing carry forward losses.

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

<u>Period</u>	<u>% of Professional Tax Rate</u>	<u>Effective income tax rate</u>
First five years of production	0%	0%
Sixth through to tenth years of production	40%	16%
Eleventh through to fifteenth years of production	45%	18%
Thereafter	100%	30% <sup>(1)</sup>

<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 operations completed an initial 5 years of production and as a result are subject to income tax at a rate of 16% for the ensuing 5 years.

The Kulu 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 Kulu 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 disclosure regarding the speculative nature of mineral exploration and development, political stability, liquidity and future financings, logistics, lack of infrastructure, uninsurable risks, mineral resources and ore reserves, uncertainty of inferred resources, mine life, licences and permits, land title, government regulations, foreign operations, environmental and regulatory requirements, conflict of interests, limited operating history, volatility of copper and silver prices, key personnel, labour and employment matters, subsidiaries, mineral exploration and mine carrying inherent risks, currency risk, competition, dilution, and dividend policy. A more detailed analysis of the risk factors the Group is faced with can be found in the most recent annual information form, which is available 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, Anvil Mining No 2 Pty Ltd, Anvil Mining No 3 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 March 31, 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 March 31, 2008 there were no changes in the Company's internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

### **Forward Looking Statements**

The forward-looking statements made in this MD&A are based on assumptions and judgements of management regarding future events and results. Such forward-looking statements, including but not limited to those with respect to the Company's plans for expansions of the Kinsevere copper mine and estimated future production at the Company's Dikulushi, Kulu and Kinsevere mines, involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of copper 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 Commission appointed to review 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).