

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2005

This discussion and analysis of financial position and results of operations of Anvil Mining Limited (the Company) and its subsidiaries for the third quarter and nine months ended September 30, 2005 is presented as of November 4, 2005. The discussion below should be read in conjunction with the unaudited interim financial statements of the Company and the notes thereto for the third quarter and nine months ended September 30, 2005 and the audited consolidated financial statements of the Company for the six months ended December 31, 2004. The Company's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles.

Capitalized terms used and not defined below have the meanings given to them in the consolidated financial statements and the notes thereto. References below to "\$" or "US dollar" refer to the United States dollar. The Company uses the US dollar as its reporting currency. Certain financial information relating to Anvil Mining Limited set out below originates in Canadian dollars (C\$) or Australian dollars (A\$) and has been translated into US dollars based on prevailing exchange rates and in accordance with the basis stated in note 3 to the audited consolidated financial statements for the Company for the six months ended December 31, 2004.

Additional information relating to the Company, including the Company's most recent Annual Information Form is available on SEDAR at www.sedar.com and also on the Company's website at www.anvil.com.au

1. Overview

The Company is a mineral producing, development and exploration company with a focus on base and precious metal exploration and mine development.

The Company holds a 90% beneficial interest in the Dikulushi Mine and surrounding exploration areas, which is held under the terms of the Dikulushi Mining Convention (Mining Agreement) with the Government of the Democratic Republic of Congo (DRC).

The Company holds a 70% beneficial interest in the Mutoshi Copper-Cobalt Project in the Kolwezi region in DRC. The Mutoshi Project includes the Mutoshi Mine, the Kulumaziba coarse rejects/tailings deposit (Kulu Project), the Mutoshi Northwest Deposit, the Noika Deposit, the Kamukonko cobalt prospect and areas situated on the relatively under-explored southern edge of the Kolwezi Klippe, a prominent geological feature in the area. The total area included in the Mutoshi Project is 136.92 square kilometres.

The Company also holds a 70% interest in a joint venture with Mining Company Katanga s.p.r.l. (MCK) to carry out feasibility study work on the Kinsevere-Nambulwa copper-cobalt deposits in the Katanga Province of the DRC, owned by La Générale des Carrières et des Mines (Gécamines), the DRC state-owned mining company.

Dikulushi Copper-Silver Mine

The Dikulushi Mine situated in the southeast part of the DRC in the Haut Katanga District, was developed by the Company using a staged development approach. Stage I comprised an open pit and a 250,000 tonnes per annum Heavy Media Separation (HMS) processing plant, which was commissioned in September 2002. The Stage II expansion, comprising a 350,000 tonnes per annum ball mill and flotation circuits was completed in September 2004.

Up to June 2004, the deep drilling programs at Dikulushi extended the known mineralization to a vertical depth of approximately 300 metres from the surface.

During June 2005, the second ball mill (acquired for the Stage II expansion) was successfully commissioned and increased the plant throughput capacity from 45 tonnes per hour (tph) to 60 tph.

In September 2005, a revised pit optimisation was completed which resulted in a 150 metre deep pit design prior to the commencement of the Stage III underground mine during 2006. The 150 metre deep open pit has been rescheduled from the unconstrained 180 metre deep open pit optimisation which was completed in March 2005. The revised open pit schedule commencing in September 2005, shows a remaining life of 19 months of mining. Following closure of the open pit mining, open pit ore stockpiles supplemented with stockpiled floats from the Stage I, HMS plant, will be available for processing through the ball mill and flotation plant for a further seven months during which the development of the Stage III underground mine will be completed in 2007. Development ore feed from the underground mine is expected to be available during 2006.

Further deep drilling below the vertical depth of 300 metres from surface to refine estimates of the resource, currently used for the Stage III underground mine planning, is being carried out during the fourth quarter of 2005. The underground orebody is currently open at depth.

Kulu project

The Kulu deposit, which is a coarse rejects/tailings deposit in the Kulumaziba watercourse, has an inferred mineral resource, for the first 7.5 kilometres of the deposit, of 1.5 million tonnes at 6.8% copper using a top cut of 11.5% for approximately 102,000 tonnes of contained copper.

The Kulu Project which is being developed in two stages, will involve utilizing the surplus HMS plant (Stage I) from the Company's Dikulushi Mine. The product from Stage I will be an oxide copper concentrate grading approximately 30% copper. Stage II will involve a substantial expansion of the operation by replacing the HMS plant with a solvent extraction electro-winning (SXEW) facility to produce copper cathode on site and for sale in the DRC.

During the fourth quarter of 2005, the Company will complete a full resource evaluation of the Kulu project coarse rejects/tailings and the Stage I HMS plant commissioning.

Kinsevere-Nambulwa Project

The program of regional sampling, termite-hill sampling, trench sampling and a total of 8,063 metres of reverse circulation and diamond drilling on the Kinsevere, Tshifufiamashi, Tshifufia Central and South exploration areas to verify indicated resources down to at least 40m depth and inferred resources down to approximately 75m depth was completed during the second quarter. The resource estimation on the exploration target areas are expected to be completed during the fourth quarter of 2005.

2. *Third quarter and Nine Months ended September 30, 2005*

	Third quarter		Nine months ended September 30	
	2005	2004	2005	2004
Revenues: (\$ millions)				
Copper-silver concentrate sales	17.8	7.2	36.0	22.7
Delivered payable pounds of copper in concentrate (millions)	10.4	5.3	22.8	19.1
Delivered Payable ounces of silver in concentrate	432,447	195,111	924,726	709,888
Operating profit ¹ – before amortization: (\$ millions)	7.8	2.5	12.8	9.5
Amortization: (\$ millions)	1.3	0.7	4.0	1.9
Net earnings: (\$ millions)	2.9	0.4	1.4	3.5
Production statistics:				
Ore processed (tonnes)	120,822	65,455	283,152	194,182
Copper grade (%)	5.52	5.81	4.85	6.64
Contained Copper (tonnes)	6,663	3,800	13,753	12,903
Recovery (%)	86.7	69.1	85.3	71.1
Copper produced (tonnes)	5,777	2,626	11,731	9,180
Silver produced (ounces)	586,875	224,784	1,133,886	782,052
Ore mined (tonnes)	83,266	69,210	247,342	190,541
Waste mined (tonnes)	1,787,084	441,744	4,901,405	1,7321,855
Costs of production ¹ : (\$)				
Operating cash costs per pound (ex mine gate after silver credits)	0.34	0.41	0.41	0.28
Total cash costs (after silver credits)	0.79	0.68	0.86	0.55

3. *Discussion of Earnings and Operations*

Revenues (nine months)

Revenues from the Dikulushi mine increased to \$36.0 million (2004 nine months: \$22.7 million) from the delivery of 22.8 million payable pounds of copper (2004 nine months: 19.1 million pounds) resulting from improvements in ore mined, production and grade during the third quarter combined with the higher copper and silver prices realized for the nine months to September 2005.

The average realized copper and silver prices for the nine months were \$1.54 per pound (2004 nine months: \$1.17 per pound) and \$6.82 per ounce (2004 nine months: \$6.13 per ounce) respectively.

¹ Refer to Non-GAAP Financial Measures on page 13.

Revenues (third quarter)

The sales of copper-silver concentrate from the Dikulushi Mine for the third quarter realized \$17.8 million (September 2004 quarter: \$7.2 million) from the sale of 10.4 million pounds of payable copper and 432,447 ounces of payable silver (September 2004 quarter: 5.3 million pounds of payable copper and 195,111 ounces of payable silver).

The average realized copper and silver prices for the third quarter were \$1.66 per pound (September 2004 quarter: \$1.24 per pound) and \$6.92 per ounce (September 2004 quarter: \$6.46 per ounce) respectively.

Operating Expenses (nine months)

Operating expenses before amortization for the nine months were \$23.2 million (2004 nine months: \$13.3 million) reflecting the higher operating costs associated with the Stage II ball mill and flotation plant and additional costs associated with the transition from contract mining to owner mining operations when compared with the comparative period in 2004. The operating costs in the nine months to September 2005 also include a non recurring agreed settlement of \$0.8 million for a copper price backwardation penalty against late deliveries of 2004 contractual commitments which were not completed until early 2005.

The total cash operating cost per payable pound of copper produced (after silver credits and excluding the non recurring agreed settlement provision for backwardation above) for the nine months to September 2005 was \$0.86² (2004 nine months: \$0.55) from production of 24.8 million payable pounds of copper (2004 nine months: 19.4 million payable pounds). This was the result of a lower grade of ore being treated during the first two quarters, compensated by higher copper recovery from the flotation plant. The combination of both the lower copper production in the first two quarters (by 1.3 million pounds) and comparatively higher transport (\$0.23 per payable pound – 2004 nine months: \$0.15 per payable pound) and smelting and refining and realization costs (\$0.22 per payable pound – 2004 nine months: \$0.12 per payable pound) applicable since January 2005 contributed to the higher total cash operating cost per payable pound for the nine months to September 2005.

Amortization for the nine months was \$4.0 million (2004 nine months: \$1.9 million) reflecting the increased amortization from the Stage II ball mill and flotation plant expansion completed in September 2004.

Operating Expenses (third quarter)

Production of contained copper and silver in concentrates in the third quarter returned to expected levels of copper production for the quarter. Waste stripping continued to be significant (1.7 million tonnes compared with 0.4 million tonnes in the September 2004 quarter) which continues in line with the revised open pit plan scheduling for the 150 metre deep open pit from September 1, 2005. The head-grade of ore to the plant for the third quarter averaged 5.52% copper (June quarter 4.87% and March 2005 quarter: 3.86%) which was in line with expectations.

Operating expenses before amortization for the third quarter were \$10.0 million (September 2004 quarter: \$4.7 million) reflecting the expected higher operating costs associated with the Stage II expansion and from increased manning levels, higher process plant throughput and increased power generation costs (from the rise in fuel prices).

The total cash operating cost per pound of copper produced (after silver credits and excluding the non recurring agreed settlement provisions for backwardation referred to above) in the third quarter was \$0.79 (September 2004 quarter: \$0.68) from the production of 12.2 million payable pounds of copper (September 2004 quarter: 4.9 million payable pounds). The higher level of production achieved since June 2005 reduced the ex-mine gate operating costs per payable pound (\$0.34 per payable pound – September 2004 quarter \$0.41 per pound) but did not compensate for the higher transport (\$0.23 per payable pound – September 2004 quarter: \$0.16 per payable pound) and smelting and refining and realization costs (\$0.22 per payable pound – September 2004 quarter: \$0.12 per payable pound) costs incurred in the third quarter.

² Copper-silver concentrate sales figures is net of smelting and refining and realization costs which is treated as a cost for cash cost purposes.

Amortization for the third quarter of \$1.3 million (September 2004 quarter: \$0.7 million) was similar to the June 2005 quarter reflecting the additional amortization of capital associated with the Stage II expansion which was commissioned during September 2004.

The operating profit³ (after amortization) for the third quarter was a profit of \$6.5 million (September 2004 quarter: \$1.8 million). The third quarter's result was improved by both higher quantities of copper produced and sold as well as higher realized metal prices for both copper and silver. Fixed and variable operating costs were higher as expected and in line with the expanded plant and the increased transport costs.

Net Earnings (nine months)

The net earnings for the nine months was \$1.4 million (2004 nine months: profit \$3.5 million) reflecting the increased mine and production throughputs of 15% and 48% respectively during the third quarter when compared to the second quarter. The basic earnings per share was 5 cents per share (2004 nine months: earnings 16 cents per share).

In addition to the impact from changes in revenues, operating costs and amortization during the nine months, the net profit result for the nine months compared with September 30, 2004 nine months, also reflect the following changes:

- General, administrative and marketing (G & A) costs, relating to the corporate office costs in Australia and Canada was \$3.5 million (2004 nine months: \$1.6 million) an increase of 119% due partly from the Reorganisation in June 2004 and the higher number of corporate personnel (currently 14) employed to support the expanded corporate governance, financial control and administrative support infrastructure required to manage, administer and account for the expanding business units in DRC, which now include the Mutoshi and Kinsevere Projects. Also included in G & A costs in the third quarter were non-recurring legal and travel costs of \$0.4 million arising from dealing with the allegations raised in the "Four Corners" television programme⁴ which was broadcast in June 2005.
- The stock based compensation cost in the nine months ended September 30, 2005 of \$0.5 million (2004 nine months: \$0.3 million) relates to the accrued cost of option plans granted to employees (additional senior personnel) and directors designed as incentives for maintaining and increasing performance.
- Interest and financing fees of \$2.8 million (2004 nine months: \$1.8 million) in the nine months ended September 30, 2005, and the comparative period includes the finance cost associated with the RMB International (Dublin) Limited (RMBI) facility fee (which include the 6.25% net smelter return (NSR)). The higher level of fees reflects a higher NSR component due to the higher volume of copper sold and the higher realized copper and silver prices in the nine months to September 2005.

Net Earnings (third quarter)

The net earnings for the third quarter was \$2.9 million (September 2004 quarter: profit \$0.4 million). The basic earnings per share was 10 cents per share (September 2004 quarter: earnings 2 cents per share) due to the effect of increases in production output, following the commissioning of the second ball mill in June 2005, being realized for a full quarter.

³ Refer to Non-GAAP Financial Measures on page 13.

⁴ Refer to Estimates, Risks and Uncertainties on page 12.

4. Discussion of Cash Flows

	Third quarter		Nine months ended September 30	
	2005	2004	2005	2004
Cash flows from: (\$ millions)	1.0	(1.2)	0.1	1.8
Operating activities				
Investing activities	(2.2)	(3.1)	(15.5)	(8.9)
Financing activities	2.1	0.4	13.4	8.3

Nine months cash flows

The cash inflow for the nine months of \$0.1 million (2004 nine months: inflow \$1.8 million) reflects the working capital increases in “run of mine” ore and concentrate stockpiles and inventory levels to sustain the Stage II ball mill and flotation plant expansion as well as the owner mining operations during the first quarter offset by increased revenues and increased level of creditors for the expanded operations during the second and third quarters.

The cash outflow from investing activities for the nine months of \$15.5 million (2004 nine months: outflow \$8.9 million) reflects the Mutoshi asset acquisition and Kulu development work during the nine months as well as exploration activity for resource and reserve determination on the Mutoshi cobalt project and the Kinsevere-Nambulwa project.

The cash inflow from financing activities generated a net \$13.4 million (2004 nine months: net inflow \$8.3 million). This net movement arose from the release of escrow funds associated with the Private Placement of 3,240,000 shares and 1,620,048 share purchase warrants which was completed in December 2004 and approved by shareholders in a general meeting in January 2005 and a further draw down on the RMBI facility of \$4.0 million for working capital, offset by the quarterly repayments totalling \$5.2 million against the RMBI loan facility.

Third quarter cash flows

The cash inflow from operating activities for the third quarter was \$1.0 million (September 2004 quarter: outflow of \$1.2 million). The cash operating inflow for the quarter was attributable to realization of higher copper and silver prices offset by the build up effect of higher debtor levels, concentrate stockpiles and creditors arising from the higher level of operating costs.

The cash outflow from investing activities for the third quarter of \$2.2 million (September 2004: outflow \$3.1 million) was mainly in relation to costs capitalised for exploration and development projects during the quarter of \$1.3 million (September 2004 quarter: \$2.8 million) and capital expenditure payments of \$0.9 million (September 2004 quarter: \$0.3 million).

The cash inflow from financing activities for the third quarter was a net \$2.1 million (September 2004 quarter: net inflow \$0.4 million). This net movement arose from the working capital facility drawdown of \$4.0 million offset by the quarterly repayment of \$1.9 million against the RMBI loan facility, which was paid on September 30, 2005.

5. Discussion of Financial Position and Liquidity

	September 30 2005	December 31 2004
Assets (\$ millions)		
Cash and cash equivalents (including restricted cash)	2.5	18.7
Current assets	18.0	27.0
Total assets	67.8	56.6
Liabilities (\$ millions)		
Current liabilities	18.1	11.8
Long-term debt	-	1.5
Total liabilities	22.0	14.2
Shareholders' equity (\$ millions)	45.9	42.3
Working capital (\$ millions)	(0.1)	15.2

Cash and cash equivalents

During the third quarter, the cash and cash equivalents (including restricted cash) increase to \$2.5 million at September 30, 2005 (June 2005: \$1.6 million) was attributable primarily to the net inflows from operating (increase in sales) and financing (working capital debt increase) activities offset by the expenditures on investing activities related to the Kulu and Kinsevere-Nambulwa projects.

Compared to the cash and cash equivalents (including restricted cash) at December 31, 2004, the decrease during the nine months to September 30, 2005 of \$16.2 million was primarily attributable to the funding of the Mutoshi Project acquisition and associated exploration expenditures on the Kulu and Kinsevere-Nambulwa projects.

Current assets

The total current assets decrease to \$18.0 million at September 30, 2005 (Dec 2004: \$27.0 million) was mainly due to a decrease in cash, utilised to fund the exploration, development and Mutoshi Project acquisition, net repayment of the RMBI debt as well as the acquisition of property, plant and equipment assets for exploration and development activity.

Total assets

The net increase in total assets at September 30, 2005 to \$67.8 million (Dec 2004: \$56.6 million) was attributable to an increase in exploration and development costs (\$17.3 million), the majority being for the acquisition of the Mutoshi project, an increase in receivables (\$4.8 million) from higher level of sales and the financing of earthmoving trucks and spares for the contractor providing the "dry hire" haulage fleet, an increase in deferred waste movement (\$1.6 million), and increase in inventories (\$2.3 million) offset by a net decrease in cash and restricted cash balances (\$16.2 million).

Current liabilities

Current liabilities at September 30, 2005, were \$18.1 million (Dec 2004: \$11.8 million) arising from higher level of accounts payable and accrued liabilities from the higher level of operational costs, and the exploration and development activity during the nine months (\$2.6 million) and the recognition of the net present value of purchase consideration payments (\$3.5 million) payable in relation to the acquisition of the Mutoshi project including a reclassification of \$1.5 million of debt from long term to current, and a further drawdown of \$4.0 million of working capital debt during the third quarter offset by repayments of \$5.2 million of debt.

Total liabilities

Total liabilities at September 30, 2005 were \$22.0 million (Dec 2004: \$14.2 million). The increase is due to the unpaid net present value of payments (\$6.2 million) payable in relation to the acquisition of the Mutoshi project and the net decrease in the long term debt.

Long Term Debt

Total long-term debt was \$6.9 million at September 30, 2005 (Dec 2004: \$8.1 million) resulting from the draw down of the \$4.0 million working capital facility during the third quarter and debt repayments over the three quarters to September 2005 of \$5.2 million.

Working capital

The working capital deficit improved during the third quarter by \$0.8 million to \$0.1 million deficit at September 30, 2005. The main changes in working capital from the December 2004 position of \$15.2 million were:

- acquisition payments relating to the Mutoshi Project in Kolwezi,
- development expenditure payments on the Kulu project (part of Mutoshi),
- exploration expenditure payments in relation to Mutoshi and Kinsevere tenements,
- expenditure on drilling equipment for the increased exploration activity on Mutoshi tenements and other capital item payments associated with the Dilukushi project, and
- the draw down of the additional RMBI working capital facility in July 2005 of \$4.0 million.

Negotiations to finance the Kulu Project, Stage I capital development, including the scheduled acquisition payments on the Mutoshi Project are continuing and are expected to be completed during the fourth quarter.

Shareholders' equity

Shareholders' equity at September 30, 2005 increased to \$45.9 million (Dec 2004: \$42.3 million) mainly from the combined incremental effect of the non-cash issues of equity (in relation to the Mutoshi acquisition and increase in ownership percentage on the Duc Bo project) during the first quarter together with the profit recovery during the second and third quarters more than offsetting the loss incurred in the first quarter.

At September 30, 2005, the Company had 29,061,848 common shares outstanding. In addition there were outstanding 1,280,000 director and employee stock options with exercise prices ranging from C\$3.80 to C\$5.60 and ranging from A\$1.20 to A\$6.50 per share respectively. The Company has 3,916,631 share purchase warrants outstanding, of which 296,631 are exercisable at a price of A\$1.20 per share, 500,000 are exercisable at a price of A\$3.00 per share, 2,620,000 exercisable at a price of C\$6.25 per share and 500,000 exercisable at C\$5.25 per share, expiring on January 15, 2006, August 31, 2006, December 16, 2007 and June 30, 2008 respectively. Further details of these instruments are set out in note 14 of the Company's December 31, 2004 annual financial statements and Note 10 (d) of the Interim Financial Statements for the Third Quarter – September 30, 2005.

Subsequent events

Subsequent to the end of the quarter, Marc Rich + Co Investment AG has lodged a claim in the London Court of International Arbitration regarding a pre-acquisition contract entered into with Société de Minière de Kolwezi sprl (SMK) (formerly known as Société de Traitements de Réjets de Mutoshi s.p.r.l.) and its pre-existing shareholders. SMK intends to defend this action.

6. Other Matters

Segment Information

Geographical Reporting	Third quarter 2005			Nine months ended September 30, 2005		
	DRC	Corporate	Total	DRC	Corporate	Total
Revenues	17.8	-	17.8	36.0	-	36.0
Cost of production	(10.0)	-	(10.0)	(23.2)	-	(23.2)
Other expenses	(2.7)	(1.8)	(4.5)	(6.9)	(3.9)	(10.8)
Tax and Non controlling interest	(0.4)	-	(0.4)	(0.6)	-	(0.6)
	4.7	(1.8)	2.9	5.3	(3.9)	1.4

Geographical Reporting	Third quarter 2004			Nine months ended September 30, 2004		
	DRC	Corporate	Total	DRC	Corporate	Total
Revenues	7.2	-	7.2	22.7	-	22.7
Cost of production	(4.7)	-	(4.7)	(13.3)	-	(13.3)
Other expenses	(1.4)	(0.6)	(2.0)	(3.8)	(1.8)	(5.6)
Tax and Non controlling interest	(0.1)	-	(0.1)	(0.3)	-	(0.3)
	1.0	(0.6)	0.4	5.3	(1.8)	3.5

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

Deferred Exploration

As at September 30, 2005 the Company had deferred exploration costs of \$22.0 million (Dec 2004: \$4.7 million), which increased by \$17.3 million arising mainly from the acquisition of the Mutoshi project and exploration expenditure on the Kinsevere Project as well as development and engineering design and scoping studies related to the Kulu Project in Kolwezi.

7. Outlook

At the end of September 2005 quarter the Company achieved its annualized budgeted throughput rates to produce 20,000 tonnes of copper and 1.6 million ounces of silver contained in concentrates on an annualized basis. This performance is expected to continue into the next quarters.

The Dikulushi Mine revised open pit plans in favour of a 150 metre deep pit from September 1, 2005 as opposed to the deeper 180 metre pit plan adopted in March 2005 together with a planned transition phase to underground mine development during the second quarter of 2006.

Infill drilling below the 150 metre pit and deep drilling below 300 metres vertical depth is scheduled in the last quarter of 2005 and first quarter of 2006 to complement and confirm the underground resource for the development of the Stage III underground during 2006 and beyond.

Production at the Kulu mine is expected to commence during the last quarter of 2005 and the Company has ongoing negotiations on a facility to finance the Kulu Project Stage I development costs and scheduled acquisition payments, which are expected to be concluded during the fourth quarter of 2005.

8. Critical accounting policies, risks and uncertainties

The accounting policies that involve significant management judgement and certain risks and uncertainties are discussed in this section. For a complete list of the significant accounting policies, reference should be made to note 3 of the December 31, 2004 consolidated financial statements and a more detailed analysis of the risk factors the Company is faced with can be found in the most recent annual information form available on SEDAR at www.sedar.com.

Liquidity and Going Concern

At September 30, 2005, the Company has an excess of current liabilities over current assets of \$0.1 million. This deficiency arises from the quarterly debt repayment schedule inherent in the project debt finance facility provided by RMBI, the current portion of purchase consideration due in respect of the Mutoshi Project acquisition and higher level of payables associated with the expanded operations of the Dikulushi Project and exploration and development activity on the recently acquired exploration and development Project areas.

The total current liabilities balance at September 30, 2005, of \$18.1 million includes project debt finance of \$6.9 million to be repaid within the next twelve months. These repayments are expected to be funded from the Company's operating cash flow to be generated over the twelve month period from October 1, 2005 to September 30, 2006. Also included in total current liabilities is \$3.5 million of purchase consideration associated with the Mutoshi Project acquisition, which is currently deferred in accordance with the agreement until the legal work regarding the transfer of the tenement is completed.

The Company is in final negotiations on the facility to finance the Kulu Project acquisition payments and the Stage I capital development costs.

The Directors believe that adequate funding will be available to allow the Company to meet its current liabilities in a timely manner and continue to operate as a going concern.

Mine properties

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

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

Exploration Costs

The Company accumulates certain costs associated with exploration activities on specific areas of interest where the Company has rights of tenure. The Company's policy is to expense any exploration and associated costs relating to non-specific projects and properties. Significant property acquisition, exploration, evaluation and development costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is put into production, sold or abandoned. No costs are deferred on a mineral property that is considered to be impaired in value. As at September 30, 2005, the Company has deferred exploration costs of approximately \$22.0 million associated with exploration properties in Africa and Southeast Asia.

Deferred Mining Costs

The Company uses the deferred stripping accounting method for mining costs associated with waste rock removal, which is being stripped at a rate in excess of the life-of-mine average. Such waste rock mining costs are deferred and charged to operations on the basis of the average stripping ratio for the life of the

mine. The waste to ore ratio and remaining life of the mine are both regularly assessed to ensure that both the carrying value and rate of deferral are appropriate.

The amount deferred or charged to cost of production is subject to management's estimate of the stripping ratio over the life of the mine. Any change in the stripping ratio or mine life estimate could have a material effect on the financial results. In March 2005, the Company adopted a revised open pit mine plan on the basis of an enlarged 180 metre deep open pit requiring a prospective strip ratio of 19.2:1, to give a revised combined whole life of open mine strip ratio of 15.3:1. The Company adopted a further revised open pit mine plan as at September 2005 which will result in a shallower 150 metre deep open pit which precedes an underground mine development and which requires a prospective strip ratio of 13.3:1 to be adopted in future. During the quarter ended September 30, 2005, the Company deferred \$0.6 million for deferred stripping costs based on a life of mine strip ratio of 13.3:1 compared to the actual strip ratio for the third quarter of 21.4:1.

Restoration, rehabilitation and environmental expenditure

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

Future restoration, rehabilitation and environmental obligations based on reasonably determinable current regulatory requirements are provided for in accordance with the new standard issued by the Canadian Institute of Chartered Accountants (CICA) in relation to Asset Retirement Obligations (ARO).

Future Income Taxes

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

As at September 30, 2005, the Company has estimated its future recoverable income tax losses in Canada, Australia, the DRC and Zambia. The recoverability of losses is dependent upon the ability to generate positive future taxable income to offset the existing carry forward losses.

Estimates, Risks and Uncertainties

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

The Company'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 mining and processing, mine development, copper and silver prices, estimation of carrying values, estimation of waste to ore deferred stripping ratios, government and environmental regulations, political stability, operating internationally, health, currency, inflation, key personnel, share market and capital requirements risks. A more detailed analysis of the risk factors the Company is faced with can be found in the most recent Annual Information Form available on SEDAR at www.sedar.com.

Since Anvil became aware of the fact that human rights abuses were carried out by the Democratic Republic of Congo ("DRC") military ("FARDC") during the recapturing of the town of Kilwa, 54 kilometres from the Dikulushi mine, the company has had a comprehensive investigation carried out by a first tier law firm, regarding its own actions during the incident. It has also obtained advice from Senior Counsel. Those documents remain confidential because of the current threat of litigation against Anvil. In the unlikely event that any legal action is instigated against Anvil as a result of the Kilwa incident, such action will be vigorously defended.

Since June 2005, Anvil has liaised closely with the Canadian Department of Foreign Affairs and International Trade regarding the Kilwa incident and has made a detailed presentation to Canadian Government officials in Ottawa, Canada in early August 2005.

The Company has also met with senior executives of the World Bank and the Multilateral Investment Guarantee Agency (MIGA) in Washington DC, to fully advise on Anvil's knowledge of the events surrounding the Kilwa incident. Due to some undue pressure from certain Human Rights Non-Governmental Organizations (NGO) to the President of the World Bank, the Office of the Compliance Advisor/Ombudsman (CAO) is presently conducting a Compliance Audit of the due diligence process carried out by MIGA on Anvil and the Dikulushi project. The Company has cooperated fully with the CAO in their enquiries. Furthermore, the Company organized during August 2005 for a group of local and international NGOs a 2-day visit of the Dikulushi mine and surrounding villages in the Dikulushi- Kilwa region. A report on the NGOs visit along with a list of documents made available during the time of the visit is posted on the website of the Company at www.anvil.com.au under the section Community.

Anvil has corresponded and met with representatives of the MONUC, the United Nations Mission to the DRC. MONUC carried out an initial investigation into the incident and completed an internal report in late October 2004 without ever contacting Anvil. Subsequently, following a visit from an Australian television team, MONUC made contact with Anvil requesting information on the Kilwa incident. An updated internal report, was subsequently completed by MONUC in September 2005 and does not implicate Anvil in any way regarding the actions of the FARDC.

Anvil recently met with representatives of the Australian Department of Foreign Affairs and Trade, a Senior Adviser of the Minister of Foreign Affairs and has had discussions with the Australian Federal Police in its efforts to cooperate fully with those responsible for investigating the circumstances surrounding the Kilwa incident.

Deed of Cross Guarantee

In June and August 2004, Anvil Mining Limited and certain Australian incorporated companies entered into a Deed of Cross Guarantee and Deed of Variation (the Deeds) under which each company guarantees the liabilities of all other companies that are a party to the Deeds. The companies which form this "Closed Group" (as defined by Australian Securities and Investments Commission Class Order 98/1418) are: - Anvil Mining Limited, Anvil Mining Management NL, Central African Holdings Pty Ltd, Congo Development Pty Ltd, Anvil Mining No 2 Pty Ltd, Anvil Mining No 3 Pty Ltd, Leda Mining Pty Ltd and Bannon Mining Pty Ltd.

Non-GAAP Financial Measures

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

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

Additional Notes

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

The information in this report that relates to in-situ mineral resources is based on information compiled by Chris Arnold (CPGeo) BSc, MSc, MAusIMM, MMICA, of DevMin Pty Ltd. Chris Arnold is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and under Canadian National Instrument 43-101. Chris Arnold consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to resource figures for the Kulu Project are based on an independent technical report prepared by Mr Gerry Fahey MAIG, MAusIMM (CP) (who is a NI 43-101 Qualified Person and who also qualifies as a Competent Person) of FinOre Pty Ltd, a geological consulting company in Perth, Australia. The technical report was prepared in accordance with Canadian National Instrument 43-101 and has been filed on SEDAR with the relevant Canadian securities commissions. A copy is available at www.sedar.com. A copy has also been lodged with the Australian Stock Exchange for information purposes. Gerry Fahey consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Forward Looking Statements

The forward-looking statements made in this Management's Discussion and Analysis are based on assumptions and judgements of management regarding future events and results. Such forward-looking statements, including but not limited to those with respect to the prices of copper and silver, estimated resources and reserves, estimated future production, estimated costs of future production which involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of copper and silver, the actual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, changes in the political environment in the countries in which the Company is operating, as well as those factors disclosed in the Company's filed documents.

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

9. Summary of Quarterly Results (unaudited)

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

Statement of Operations and Earnings	Sep 05 Quarter	Jun 05 Quarter	Mar 05 Quarter	Dec 04 Quarter	Sep 04 Quarter	Jun 04 Quarter	Mar 04 Quarter	Dec 03 Quarter
Copper-silver concentrate sales (\$ millions)	17.8	10.5	7.7	8.7	7.2	8.2	7.3	6.7
Operating profit ⁵ (loss) before amortization (\$ millions)	7.8	3.8	1.2	2.8	2.5	3.3	3.7	2.6
Amortization (\$ millions)	(1.3)	(1.3)	(1.4)	(1.0)	(0.7)	(0.7)	(0.5)	(0.7)
Operating profit ⁴ (loss) (\$ millions)	6.5	2.5	(0.2)	1.8	1.8	2.6	3.2	1.9
Net earnings (loss) (\$ millions)	2.9	0.2	(1.7)	0.5	0.4	1.5	1.6	0.5
Basic earnings per share (\$)	0.10	0.01	(0.06)	0.02	0.01	0.07	0.09	0.02
Diluted earnings per share (\$)	0.10	0.01	(0.06)	0.02	0.01	0.07	0.08	0.02
Production Statistics								
Ore processed (tonnes)	120,822	81,518	80,812	75,864	65,455	70,053	58,674	66,956
Copper grade %	5.52	4.87	3.86	4.69	5.81	6.42	7.84	6.80
Contained copper (tonnes)	6,663	3,971	3,119	3,558	3,800	4,500	4,603	4,552
Recovery %	86.7	85.5	82.1	81.3	69.1	71.0	73.1	67.5
Copper produced (tonnes)	5,777	3,395	2,559	2,894	2,626	3,189	3,365	3,074
Silver produced (ounces)	586,875	301,967	245,044	277,403	224,784	301,315	255,953	331,555
Payable pounds of copper contained in concentrate delivered (million)	10.4	6.8	5.6	5.8	5.3	7.1	6.7	6.8
Payable ounces of silver contained in concentrate delivered	432,447	262,111	230,168	240,553	195,111	287,780	226,997	323,297

⁵ Refer to Non-GAAP Financial Measures on page 13.