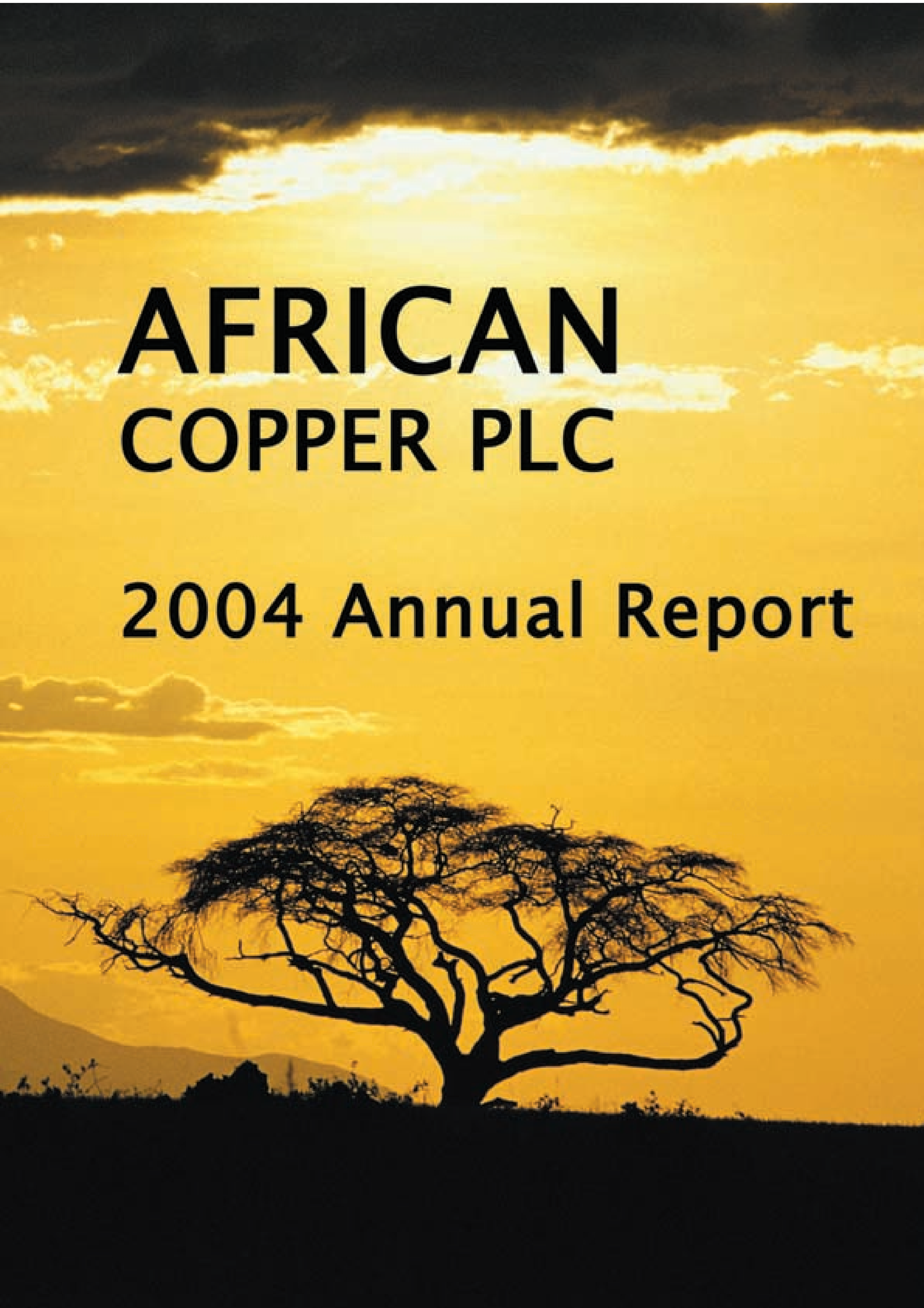
AFRICAN COPPER PLC

2004 Annual Report



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Chairman's Statement

Dear Shareholder,

The 2004 fiscal year saw the birth of our company and the subsequent listing of securities in the London Alternative Investment Market ("AIM"). Our IPO in mid-November was successful in raising sufficient capital to advance our key development projects throughout 2005 and into 2006.

African Copper was incorporated in early 2004, and immediately worked to acquire all of the outstanding shares of Mortbury Limited thereby assuming control over the Dukwe deposit and the Matsitama Exploration Concession, both in Botswana. In September the Company started the process of becoming a publicly listed entity, and was admitted for trading on AIM in mid-November. The IPO financing raised gross proceeds of £15 million and was oversubscribed. Before the end of 2004, the Company was granted another Exploration Permit that includes further known copper mineralization in the Thakadu deposit, Botswana.

In late 2004 and early 2005, the board recruited and secured key executives and work in Botswana commenced in early January. An office is functioning in Francistown, Botswana and substantially all administrative, exploration and engineering activities are conducted from this location.

In March, 2005 the Company entered into a number of key contracts that include open pit optimization studies, detailed engineering for the Dukwe deposit, delineation drilling of the underlying sulphide resources at Dukwe, and independent management of the exploration activities. The Board is confident that the management team that is in place is capable of completing the engineering phase of the deposit by the end of Q3 of 2005. Following this, project financing will be secured with the objective of commencing construction activities as soon as possible.

While the Board is confident that Dukwe will become the first producing mine for the Company, it is also excited about the prospects within the Matsitama and Thakadu exploration licenses. Exploration should commence on the highest priority targets in these areas later in 2005, after the Dukwe project has been placed on the path to production.

As African Copper continues to grow towards production the Board will continue to seek growth in shareholder value and to sensibly use the resources that shareholders have entrusted to us. The Company will be aggressive in pursuing both exploration and acquisition opportunities while remaining cognizant of market conditions and shareholder interests.

As a shareholder, you can be assured that the Board will protect your interests, will push management to achieve ever greater goals, will require the Company to develop projects in a sensible and environmentally sustainable manner, and will ensure the engagement of communities and stakeholders at all stages.

On behalf of the Board, I would like to thank the shareholders and employees of African Copper for their support and loyalty in 2004 and through 2005. I would also like to thank my fellow Directors for their active participation and contributions to the Company in its formative year. I expect that 2005 will be an exciting year for the Company, and for our shareholders.

Roy Corrans
Chairman

25 May 2005

Chief Operating Officer's Review

SUMMARY REVIEW

The Company has two principal assets, both located in Botswana: the Dukwe copper project, and the Matsitama exploration concession. No work was conducted on the Matsitama concession in 2004. An optimized feasibility study for the Dukwe copper deposit was completed in mid-2004, and work commenced on the engineering for the project in early 2005.

THE DUKWE DEPOSIT

The Dukwe deposit is mixed-oxide and supergene-enriched copper mineralization in the near-surface portions of the Dukwe Shear. An optimized feasibility study completed in 2004 indicates the viability of production in a series of open-pits with recovery from a heap-leach, solvent-extraction/electrowinning (SX/EW) plant to produce copper cathode. The deposit should produce about 25 million pounds of copper cathode annually by processing 2,500 tonnes per day of ore from the open pit.

The oxide mineralization has been identified from drilling programmes completed by major mining companies and more recently by African Copper subsidiaries, as well as from underground sampling across the full width of the deposit. Proven and Probable Reserves of 5.1 million tonnes of 1.85% Cu have been estimated for this near-surface mineralization using current industry practices and standards. Copper recovery of at least 83% with an average acid consumption of about 4 kg of sulphuric acid for each kg of copper recovered has been estimated from a series of metallurgical tests.

Detailed engineering for the 2,500 tonne per day heap leach operation commenced in April 2005 and is expected to be completed by the end of Q3 of 2005. African Copper subsidiaries have signed a number of key contracts with engineering groups who are actively engaged in completing various aspects of the project engineering for the Dukwe deposit.

A detailed capital cost estimate is expected by the end of Q2 2005, with about 30% of the engineering completed. By the end of August, the Company expects to have a detailed operating cost estimate for production activities at the mine. These two estimates should allow African Copper to begin to secure project financing. Detailed engineering and construction drawings are expected to be complete by the end of Q3 2005. Construction schedules, costs, production profiles and ultimate economics of the Dukwe deposit will be confirmed at this time.

African Copper is updating the Environmental Impact Assessment (EIA) for the Dukwe deposit, and expects to submit the report to the Botswana authorities by the end of Q2 2005. EIA studies completed in 2002 showed few obstacles to development, and the Company is confident that approval of the EIA will be secured by the end of Q3 2005.

Two drills were mobilized to the site in early April and a further two are expected to be on site by the end of May 2005. The first two drills are involved in a pit slope stability study aimed at optimizing the strip ratio for the open pit. The feasibility study completed in 2002 had no optimization completed, and it is likely that the pit slopes may be safely steepened to reduce the amount of waste in the pit, and have a positive impact on the operating costs of the mine.

Underlying the open-pit leachable reserve at Dukwe is a substantial resource of primary copper sulphide mineralization. Work by previous operators defined an indicated resource of about 13 million tonnes grading 3.85% copper. While this material cannot be placed on the heaps for leaching, it does present almost twice the grade of the open pit material, at better potential copper recoveries in a concentrator. A 20,000 metre drilling program has been designed to improve the confidence in these resource estimates. African Copper has retained a globally recognized independent consulting firm to oversee this drilling and sampling program, and the ultimate resource estimation. This work is expected to be completed in early Q4 of 2005.

The Dukwe deposit is on track to commence construction as early as Q4 of 2005. Production is expected from the heap leach operation before the end of 2006. Depending on the results of the sulphide drilling program at Dukwe, an underground ramp to the sulphide mineralization could commence early next year. The Dukwe sulphide mineralization is much larger than that encompassed by the open pit, and exploration and delineation drilling over 2005 should provide meaningful results that will enhance the reserve base, mine life and ultimately the value of this project.

THE MATSITAMA CONCESSION

The Matsitama Concession holds the future of African Copper. This exploration license is a large area of copper and lesser zinc-lead mineralization within lower Proterozoic schists in north-eastern Botswana. African Copper holds the belt in a contiguous group of prospecting licences totalling over 4,000 square kilometres. At the end of 2004 the Company was granted an exploration licence over the Thakadu-Makala Concession which is entirely within the Matsitama licence area.

The Matsitama exploration area has been explored by various operators in the past, but the sheer size of the area makes exploration a daunting task. The approach being taken by African Copper to the exploration task is different and potentially more constructive than past efforts.

Two deposits with defined tonnes and grade exist within the concession boundaries: Thakadu (about 4 million tonnes at 2.7% copper) and Nakalakwana Hill (about 11 million tonnes at 0.7% copper).

Thakadu was one of the largest mines in the Sub-Saharan region during the early part of the last millennium and yielded an estimated 712 tons of copper from an open pit operation. In the middle part of the last century, the Thakadu and Makala deposits were "rediscovered". Records in the Botswana archives indicate that exploration up to 2001 included almost 40,000 metres of drilling in 156 holes, two 70 metre shafts with underground tunnels that were used to collect 3 tonnes of material for metallurgical testing and 180 tonnes of primary mineralization for pilot plant testwork.

An examination of the surface dumps at the Thakadu mine shows mixed chalcocite-chalcopyrite material that is described as strataform or stratabound. This style of mineralization is characteristic of many of the large tonnage, high-grade deposits recognized in the copper belt deposits of Zambia – a geologically similar area that was deposited at the same time as the Matsitama Belt. Thakadu is an exciting deposit, and is the highest priority target after Dukwe.

At Nakalakwana Hill, the mineralization is entirely oxide copper. The deposit is defined by limited drilling and exists within a much larger surface geochemical anomaly. African Copper believes that there are substantial extensions to the mineralization at Nakalakwana Hill since the previous drilling failed to find the limits of the copper mineralization. This mineralization is near-surface and could be extracted by open-pit. African Copper expects to accelerate resource delineation at this prospect in 2005 and 2006, and to collect sufficient material to complete metallurgical testing. Nakalakwana Hill presents another drill-ready target that can quickly be moved into a feasibility stage project.

Beyond these two known deposits, the Matsitama exploration area contains 37 other copper occurrences and 2 zinc occurrences. The geochemical database contains over 210,000 samples and shows 147 high amplitude copper-in-soil geochemical anomalies with peak values up to 1,850 ppm Cu.

Five years ago, Anglo American completed an exhaustive airborne geophysical survey over the entire belt which included magnetics, radiometrics, electro-magnetics and light-hyperspectral work. Very little work seems to have been done to integrate the historical geochemical database with the cutting-edge geophysics. Any ground work concentrated almost solely on the geophysical conductors (graphite for the most part) rather than assessing the database in a holistic manner.

African Copper will systematically ground-truth the 30 highest priority targets over the next two years. The number of mineral showings and indications, and the existence of known deposits leads the Company to believe that the Matsitama Belt is a potential world class base metal belt. African Copper has a 100% undivided interest in the belt, with no overriding royalties to any other company. The Matsitama Belt provides African Copper with a unique position relative to its peers: almost unlimited exploration potential in conjunction with known mineralization and pending production. We believe that this combination makes African Copper a superlative investment, and places us well above any of our peer group.

FINANCIAL

The consolidated net loss after taxation of African Copper in respect of the period ended 31 December 2004 amounted to £320K (loss per share 1.5p). The Group's only source of income during the period arose from bank deposit interest, which amounted to £83K.

The net assets of the Group amounted to £24.3 million as at December 31, 2004 which includes intangible assets amounting to £10.9 million. Intangible assets relate to £2.2 million in accumulated deferred exploration and evaluation costs and £8.7 million in goodwill in respect of the acquisition of the entire issued ordinary share capital of Mortbury Limited and the acquisition of a preference share in Mortbury. The Company's accounting policy is to capitalize these intangible costs until either the Mortbury properties are brought into production, at which time they are depleted on a unit of production basis, or until the properties are sold, allowed to lapse or abandoned, at which time they are charged to the profit and loss account.

In May 2004 the Company completed the acquisition of 100% control of Mortbury in respect of which the Company issued 20,500,010 ordinary shares. An amount of £5,661,003 has been included in the merger reserve and represents the fair value premium of the shares issued by the Company in connection with the acquisition of Mortbury. At the same time the Company completed a private placing with institutional and other investors to raise approximately £1.9 million at 35p per share. In connection with this placing the Company issued warrants to subscribe for 2,836,182 ordinary shares of the Company at 50p per share exercisable up to 31 March 2005. A total of 2,017,967 warrants were exercised raising approximately £1 million.

On 12 November 2004 the Company announced its admission to the Alternative Investment Market of the London Stock Exchange following the successful placing of 19,736,843 ordinary shares at 76p raising gross proceeds of £15 million. Numis Securities Limited and Royal Bank of Canada acted as Joint Managers and Joint Underwriters of the placing and Numis is acting as Nominated Advisor and Broker to the Company.

On 26 November 2004 the Company completed an agreement to purchase a preference share in its subsidiary Mortbury which provided the holder a royalty interest over 11.5 percent of Mortbury's future net profits attributable to copper production in Botswana. Consideration of US$6 million was satisfied by the issue of 3,927,943 ordinary shares and US$500,000 in cash.

Joseph Hamilton
Chief Operating Officer

25 May 2005

DIRECTORS' REPORT

The Company was incorporated on 11 February 2004. The Directors present their report with the consolidated financial statements of the Company for the period ended 31 December 2004.

PRINCIPAL ACTIVITY

The principal activity of the Group is the exploration for, and development of, copper deposits in the Republic of Botswana. The principal activity of the Company is that of a holding company.

A review of the Group's business and prospects is set out in the Chairman's Statement and the Chief Operating Officer's Review.

RESULTS AND DIVIDENDS

The Group loss after taxation for the period was £320,339. The Directors do not recommend the payment of a dividend for the period.

DIRECTORS

The following Directors served during the period:

R D Corrans	(Appointed 12 October 2004)
D Jones	(Appointed 24 September 2004)
B R Kipp	(Appointed 24 September 2004)
M J Evans	(Appointed 12 October 2004)
A J Williams	(Appointed 20 May 2004)
G A Potts	(Appointed on incorporation, resigned 12 October 2004)
S J Schofield	(Appointed on incorporation, resigned 20 May 2004)
T A Bailey	(Appointed 26 May 2004, resigned 12 October 2004)

All directors' service contracts are determinable on not more than 12 months' notice.

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company:

Director	*Number of Ordinary Shares at 31 December 2004*	*Share Options held at appointment*[1]	*Share Options granted during the Period*[4]	*Share Options held at 31 December 2004*
R D Corrans	–	–	150,000	150,000
D Jones	1,015,000	500,000[3]	100,000	600,000
B R Kipp	200,000	350,000[2]	100,000	450,000
M J Evans	–	–	100,000	100,000
A J Williams	2,000,012	250,000[3]	100,000	350,000

[1] Under a share option scheme operated by Mortbury Limited ("Mortbury"), these options were granted to acquire ordinary shares in Mortbury. As a result of the acquisition of Mortbury, the Company agreed to satisfy these options by issuing options in the Company on the same basis as the outstanding Mortbury options.

[2] Option exercisable at 35p per share from 5 April 2004 to 29 March 2007.

[3] Option exercisable at CAD$0.25 per share from 29 March 1999 to 29 March 2007.

[4] Option exercisable at 76p per share from 12 November 2005 to 11 November 2014.

On 12 January, 2005 the Company appointed Mr. Joseph A Hamilton as a Director and Chief Operating Officer of the Company. Mr. Hamilton was granted an option to purchase 1,500,000 ordinary shares of 1p each at an exercise price of 76p per share with an expiry date of 13 January 2015.

SUBSTANTIAL SHARE INTERESTS

As at 23 May 2005 the Company was aware of the following substantial share interests:

	Ordinary shares	*%*
RAB Capital plc	3,349,500	6.44
A J Williams	2,000,012	3.85
FMR Corp	1,578,950	3.04

SHARE CAPITAL

At the forthcoming Annual General Meeting the following resolutions will be proposed in relation to the Directors' authority to issue shares:

Resolution 10 (Authority to allot securities)

This Resolution will be proposed as an ordinary resolution to grant a new authority in substitution for all previous authorities to allot unissued share capital up to an aggregate nominal value of £173,350, representing approximately one-third of the total issued ordinary share capital as at 24 May 2005. If given, this authority will expire at the conclusion of the next annual general meeting or, if earlier, on the date 15 months from the date the resolution is passed.

Resolution 11 (Disapplication of pre-emption rights)

This resolution would allow the board to allot equity securities for cash other than to existing shareholders in proportion to their holdings. The first part of the disapplication is limited to rights issues, open offers and similar pro rata issues. In relation to such issues the disapplication authority is unlimited and allows the Directors to offer shares to existing shareholders other than strictly in proportion to their holdings, where for example, overseas regulations make it difficult to offer shares pro rata to existing overseas shareholders or when dealing with fractions of shares. The second part of the resolution enables the Board to allot shares for any purpose up to a maximum aggregate nominal value of £26,000, which is approximately 5 per cent. of the issued ordinary share capital as at 24 May 2005. This power will terminate at the conclusion of the next annual general meeting or, if earlier, on the date 15 months from the date the resolution is passed.

POST BALANCE SHEET EVENTS

During the period 1 January 2005 to 31 March 2005 a total of 2,012,967 ordinary shares were issued as a result of the exercise of warrants at a price of 50p per share.

CREDITOR PAYMENT TERMS

It is the Group's policy to settle all amounts due to creditors in accordance with agreed terms of supply and market practice in the relevant country. The Company's average creditor payment period at 31 December 2004 was 30 days.

CORPORATE GOVERNANCE

Corporate governance is conducted in accordance with the guidelines for smaller companies, published by the Quoted Companies Alliance. The Board has appointed an Audit Committee, whose primary role is to review the accounts of the Group and a Remuneration Committee, which reviews executive remuneration. Meetings of the Board and of these Committees are held as deemed necessary. The Company complies with the guidelines to the extent the Directors consider appropriate, having regard to the size of the Company and its current stage of development.

AUDITORS

PKF were appointed as first auditors of the Company. On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the Company consented to extend the audit appointment to PKF (UK) LLP from that date. Accordingly, the audit report has been signed in the name of PKF (UK) LLP.

BY ORDER OF THE BOARD

G A Potts, FCIS

Secretary

25 May 2005

Statement of Directors' Responsibilities

The Directors shall prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

The maintenance and integrity of the African Copper plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report

To the Members of African Copper plc

We have audited the financial statements for the period from 11 February 2004 to 31 December 2004 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement and Chief Operating Officer's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2004 and of the Group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors

London

25 May 2005

Consolidated Profit and Loss Account

For the period from 11 February 2004 to 31 December 2004

	Notes	*Period ended 31 December 2004 £'000*
Administrative expenses		**(411)**
Unrealised exchsnge gain		**8**
Operating loss	*4*	**(403)**
Bank interest receivable		**83**
Loss before and after tax	*15*	**(320)**
Loss per share	*7*	**1.5p**

All amounts relate to continuing operations. There were no recognised gains or losses other than the loss for the period.

Balance Sheets

As at 31 December 2004

	Notes	Group as at 31 December 2004 £'000	Company as at 31 December 2004 £'000
Fixed assets			
Tangible assets	*8*	**28**	**–**
Intangible assets	*9*	**10,918**	**16**
Investments	*10*	**–**	**888**
		10,946	**904**
Current assets			
Debtors	*11*	**160**	**1,532**
Cash		**13,410**	**13,397**
		13,570	**14,929**
Creditors			
Amounts falling due within one year	*12*	**(261)**	**(122)**
Net current assets		**13,309**	**14,807**
Net assets		**24,255**	**15,711**
Share capital	*14*	**500**	**500**
Share premium	*15*	**15,157**	**15,157**
Merger reserve	*15*	**8,606**	**–**
Other reserve	*15*	**312**	**312**
Profit and loss account	*15*	**(320)**	**(258)**
Equity shareholders' funds	*16*	**24,255**	**15,711**

These financial statements were approved by the Board of Directors on 25 May 2005 and were signed on its behalf by:

R D Corrans
Director

J A Hamilton
Director

CONSOLIDATED CASH FLOW STATEMENT

For the period from 11 February 2004 to 31 December 2004

	Period ended 31 December 2004 £'000
Cash outflow from operating activities	**(547)**
Return on investment and servicing of finance	**83**
Capital expenditure	**(85)**
Acquisitions	**(296)**
Financing – issue of equity shares in period	**14,255**
Cash inflow during period and cash at 31 December 2004	**13,410**

Net funds at 31 December 2004 were £13,410,000.

Note 21 provides further information on cash flows.

1. Nature of Operations and Going Concern

African Copper plc was incorporated as Afrinewco plc on 11 February 2004 and changed its name to African Copper plc on 1 March 2004.

The Group is involved in the acquisition, exploration and development of resource properties in Botswana and is currently in the feasibility evaluation of a major undeveloped copper deposit (The Dukwe Project) and a large scale grass roots exploration project (The Matsitama Project). The Dukwe Project is located in the north-eastern portion of Botswana and the Matsitama Project is contiguous to the southern boundary of the Dukwe Project.

In common with many exploration companies, the Company raises funds in discrete tranches. The net proceeds of the latest financing in November 2004 amounted to £13.4 million. The Directors consider that these funds will be sufficient to complete the bankable feasibility studies for the Dukwe oxide and sulphide zones and complete the phase one exploration programme for Matsitama. The funds are also forecast to provide sufficient working capital until the end of 2006. The Directors therefore consider it appropriate to prepare these financial statements on the going concern basis.

However, these proceeds will not be sufficient to bring the Dukwe and Matsitama projects into production and, in due course, further funding will be required for these projects. In the event that the Company is unable to secure further finance the Company may not be able to fully develop these projects.

2. Principal Accounting Policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

b) Basis of consolidation

These financial statements consolidate the financial statements of the Company and its subsidiaries using the acquisition method of accounting. The results of subsidiaries are included from the effective date of acquisition.

The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair value on the date of acquisition. The excess of cost over the fair value of the Group's share of the identifiable net assets is recorded as goodwill.

In the Company's balance sheet, the investment in Mortbury Limited ("Mortbury") includes the nominal value of the shares issued as consideration for the acquisition of that company. As permitted by sections 131 and 133 of the Companies Act 1985, no premium was recorded on the issue of such shares. On consolidation, the difference between the nominal value of the shares issued and their fair value was credited directly to the merger reserve.

c) Resource properties, deferred exploration and development costs

All costs related to the exploration of mineral properties are capitalised until either the properties are brought into production, at which time they are depleted on a unit of production basis, or until the properties are sold, allowed to lapse or abandoned, at which time they are charged to the profit and loss account.

d) Mining assets

Mining assets represent the cost of entering into specific agreements in relation to the exploration of mining assets. These assets are capitalised in the same manner as exploration and development costs.

e) Tangible Fixed Assets

Depreciation is provided at the following annual rate in order to write off each asset over its estimated useful life:

Vehicles – straight-line over 3 years

f) Goodwill

Goodwill arising on consolidation is capitalised and shown within fixed assets. Amortisation of goodwill arising from the acquisition of Mortbury is to be deferred until production occurs, when it will be charged over the expected production period of the project. Where a project is abandoned or is determined to not be economically viable, the goodwill is written off.

g) Foreign currency translation

The reporting currency of African Copper plc is Sterling.

Monetary assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Revenues, costs and non-monetary assets are translated at the exchange rates ruling at the transaction date. Differences on exchange arising from the re-translation of the opening net assets of foreign subsidiaries and any related loans are taken directly to reserves and all other exchange differences are taken to the Profit and Loss Account.

h) Deferred Taxation

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounting purposes on a full provision basis in accordance with FRS 19 “Deferred Tax”.

Deferred tax assets are only recognised when they arise from timing differences where their recoverability in the short term is regarded as being probable. Deferred tax balances are not discounted.

i) Company Profit and Loss Account

The Company has taken advantage of the exemption conferred by the Companies Act 1985 section 230 from publishing its own Profit and Loss Account. The result for the period ended 31 December 2004 was a loss after taxation of £258,000.

3. GROUP SEGMENT ANALYSIS

By geographical area	*Loss before taxation* **Period ended 31 December 2004 £'000**	*Net assets/ (liabilities)* **Period ended 31 December 2004 £'000**
UK	**258**	**24,317**
Botswana	**62**	**(62)**
	320	**24,255**

4. OPERATING LOSS

	Period ended 31 December 2004 £'000
Operating loss is stated after charging/(crediting):	
Exchange differences	**8**
Auditors' remuneration – audit	**18**
Remuneration to the auditors for non-audit services provided*	**117**

* The remuneration paid to the auditors for non-audit services has been set against the share premium account. The Board reviews the nature and extent of non-audit services to ensure that the independence of the auditors is maintained.

5. DIRECTORS AND EMPLOYEES

Each of the non-executive directors, namely Roy Corrans, Michael Evans and Anthony Williams are appointed under the terms of letters of appointment. The appointments are terminable on three months notice but are envisaged to last for one year, following which they are reviewed annually. Roy Corrans is entitled to a fee of £20,000 per annum and Michael Evans and Anthony Williams are entitled to a fee of £12,500 each per annum. Each of the executive directors, namely David Jones and Bradley Kipp have service agreements with the Company terminable by twelve months' notice given by either party to the other expiring on 30 November 2005 or at any time thereafter. During the period ended 31 December 2004, David Jones and Bradley Kipp received remuneration of respectively £44,667 and £26,500.

Staff costs and numbers

	Period ended 31 December 2004 £'000
Consulting fees and salaries (including Directors' remuneration)	**89,955**

All staff costs of £89,955 were expensed.

The average monthly number of employees, including Directors, during the period was 3, allocated as follows:

	Number
Administration	**1**
Operations	**2**
	3

6. TAXATION

No liability to UK corporation tax and foreign tax arises in the period. The factors affecting the tax charge for the year are set out below.

	Period ended 31 December 2004 £'000
Loss on ordinary activities before tax	**(320)**
Tax on loss on ordinary activities at 30%	**(96)**
Expenses not deductible for tax purposes	**28**
Lower tax rates on overseas losses	**9**
Tax losses carried forward	**59**
Total current tax	**–**

Deferred tax assets of £179,000 relating to trading losses carried forward have not been recognised in the accounts because there is insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

7. EARNINGS PER SHARE

The calculation of earnings per ordinary share on the net basis is based on the loss on ordinary activities after taxation of £320,339 and on 21,209,021 ordinary shares being the weighted average of ordinary shares in issue and ranking for dividend during the period. No diluted loss per share is presented as the effect of the exercise of share options and warrants would be to decrease the loss per share.

8. TANGIBLE FIXED ASSETS

	Group Vehicles £'000	Company Vehicles £'000
Cost		
At 11 February 2004	**–**	**–**
Additions	**28**	**–**
Net book value at 31 December 2004	**28**	**–**

9. INTANGIBLE FIXED ASSETS

	Goodwill	Deferred Exploration costs	Total
Group	***£'000***	***£'000***	***£'000***
At 11 February 2004	**–**	**–**	**–**
Arising on acquisition of subsidiary	**5,440**	**2,177**	**7,617**
Additions	**3,244**	**57**	**3,301**
At 31 December 2004	**8,684**	**2,234**	**10,918**

	Goodwill	Deferred Exploration costs	Total
Company	***£'000***	***£'000***	***£'000***
At 11 February 2004	**–**	**–**	**–**
Additions	**–**	**16**	**16**
At 31 December 2004	**–**	**16**	**16**

Goodwill

A. Mortbury Limited Transaction

On 26 May 2004 the Company acquired the entire issued ordinary share capital of Mortbury by a share for share exchange. The fair value of the assets acquired, including those of the subsidiaries of Mortbury, Matsitama Minerals (Proprietary) Limited ("Matsitama") and Messina Copper (Botswana) (Proprietary) Limited ("Messina"), and the consideration paid is set out below.

B. Purchase of Subsidiary Preference Share

On November 26, 2004 the Company issued 3,927,943 ordinary shares in connection with the acquisition of a preference share in its subsidiary Mortbury. The preference share was acquired by the Company for consideration comprising of US$0.5 million in cash and US$5.5 million in ordinary 1p shares of the Company at a price of 76p per share.

	£'000
Fair and book value of Mortbury assets at 26 May 2004:	
Deferred exploration costs	**2,126**
Mining assets	**51**
Cash	**34**
Creditors: amounts falling due within one year	**(1,400)**
Total	**811**

	£'000
Fair value of consideration:	
16,650,010 ordinary shares of 1p each at a fair value of £0.35 each[1]	**5,828**
4,000,000 ordinary shares of 1p each at a fair value of 1p each[2]	**40**
1,250,000 options over ordinary shares of 1p each exercisable at Can$0.25 each[3]	**312**
450,000 options over ordinary shares of 1p each exercisable at £0.35 each	**–**
Transaction costs	**71**
Total	**6,251**
Goodwill arising on Mortbury Transaction at 26 May 2004	**5,440**
Goodwill arising on Purchase of Subsidiary Preference Share	**3,244**
Goodwill as at 31 December 2004	**8,684**

Notes:

[1] Issued to the existing ordinary shareholders of Mortbury on a one for one basis.

[2] Issued to acquire African Copper Limited, a company which has since been wound up, in lieu of a fee payable to African Copper Limited for assistance in the acquisition of Mortbury.

[3] Issued to the existing option holders in Mortbury to replace Mortbury options.

No amortisation has been provided in the period.

Mortbury and its subsidiary companies, made a loss after tax of £266,020 for the year ended 31 December 2004 (2003 – £146,000 loss) of which £139,000 arose in the period from 1 January 2004 to 25 May 2004. The summarised profit and loss account for the period from 1 January 2004 to the effective date of acquisition is as follows:

	£'000
Turnover	**–**
Operating loss	**(82)**
Net interest payable	**(57)**
Loss before and after taxation for period ended 25 May 2004	**(139)**

There were no recognised gains and losses in the period ended 25 May 2004 other than the loss above.

10. INVESTMENTS

During the period, the Company acquired interests in the following material subsidiary undertakings, which are included in the consolidated financial statements:

	£'000
On acquisition and at 31 December 2004	**888**

Name	*Holding*	*Business activity*	*Country of incorporation*
Mortbury Limited	100% of equity shares	Investment	British Virgin Islands
Matsitama Minerals (Proprietry) Limited	100% of equity shares	Exploration	Botswana
Messina Copper (Botswana) (Proprietry) Limited	100% of equity shares	Exploration	Botswana

11. Debtors: Amounts falling due within one year

	Group As at 31 December 2004 £'000	Company As at 31 December 2004 £'000
Trade debtors	160	160
Amounts owed by subsidiary undertakings	–	1,372
	160	1,532

12. Creditors: Amounts falling due within one year

	Group As at 31 December 2004 £'000	Company As at 31 December 2004 £'000
Trade creditors	245	109
Accruals	16	13
	261	122

13. Financial Instruments

The Group uses financial instruments comprising cash, liquid resources and items such as short-term debtors and creditors that arise from its operations. These financial instruments are the sole source of finance for the Group's operations. The principal risks relate to currency exposure and liquidity. Short-term debtors and creditors have been excluded from the following disclosures.

Currency rate risk

The functional currencies of the Group are Sterling and the Botswana Pula, being the currencies in which the majority of the Group's expenses are incurred. The Group's principal rate exposure is therefore related to movements between these currencies.

As the majority of the Group's cash resources are held in Sterling, the Group has a downside exposure to any strengthening of the Pula against Sterling as this would increase expenses in Sterling terms and accelerate the depletion of the Group's cash resources.

Any weakening of the Pula against Sterling would, however, result in a reduction in expenses in Sterling terms and preserve the Group's cash resources. In addition, any such movements would affect the Consolidated Balance Sheet when the net assets of the Botswana subsidiaries are translated from their functional currency into Sterling.

The policy in relation to the translation of foreign currency assets and liabilities is set out in note 2(g) "Accounting Policies – Foreign currency translation" to the consolidated financial statements.

In view of the potential significance of any strengthening of the Pula against Sterling, the policy of holding the majority of the Group's cash resources in Sterling is kept under review.

There is not considered to be any material exposure in respect of liabilities incurred by the Group as these are of a short-term nature.

The table below shows the extent to which the Group has monetary assets and liabilities in currencies other than its functional currencies:

Group net foreign currency monetary assets and liabilities:

	As at 31 December 2004 £'000
US Dollars	**(121)**
Canadian Dollars	**(8)**
South African Rands	**28**
	(101)

Liquidity risk

To date the Group has relied on shareholder funding to finance its operations. As the Group has limited cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure.

Interest rate risk

The Group's policy is to retain its surplus funds on short-term deposits, usually of one week and four weeks duration, at prevailing market rates.

The currency and interest rate profile of financial assets and liabilities is as follows:

	Total As at 31 December 2004 £'000	***Cash and short term deposits As at 31 December 2004 £'000***
Sterling	**13,393**	**13,393**
US Dollars	**17**	**17**
Pula	**–**	**–**
	13,410	**13,410**

The financial assets comprise interest earning bank deposits at rates set by reference to the prevailing LIBOR or equivalent in the relevant country.

Fair value of financial assets and liabilities

There is no material difference between fair value and book value.

14. SHARE CAPITAL

	Authorised		Issued	
	Number	**£'000**	**Number**	**£'000**
Ordinary Shares of 1p each	**495,000,000**	**4,950**	**49,992,173**	**500**
Redeemable preference shares of £1 each	**50,000**	**50**	**–**	**–**

On incorporation, 100,000,000 ordinary shares of 5p were authorised and two were issued. On 4 May 2004 the following transactions occurred:

- each of the ordinary shares, issued and un-issued, were subdivided into 5 ordinary shares of 1p each;
- 5,000,000 ordinary shares of 1p were consolidated and re-designated as 50,000 £1 preference shares.

On 26 May 2004,the following issues of shares took place:

- 5,672,367 ordinary shares of 1p were issued for cash as part of a private placing at a premium of 34p per share;
- 16,650,010 ordinary shares of 1p were issued as part of a share for share exchange at a premium of 34p per share and accounted for as a merger reserve. This share exchange was according to the terms of the acquisition of Mortbury and its subsidiaries;
- In addition, as part of the acquisition of Mortbury and its subsidiaries, a further 4,000,000 ordinary shares of 1p were issued at par.

On 14 July 2004, all of the preference shares were redeemed at par and cancelled.

During November 2004, the following issues of shares took place:

- 19,736,843 ordinary shares of 1p each were issued on 12 November 2004 as part of a placement at a premium of 75p per share. Costs of £1,577,461 were incurred in completing this placement. These have been charged to the share premium account;
- 3,927,943 ordinary shares of 1p each were issued on 26 November 2004 as part of the purchase of the preference share of Mortbury at a premium of 75p per share and accounted for as a merger reserve.

On 16 December 2004, 5,000 ordinary shares of 1p each were issued on the exercise of a warrant at 50p per share.

Share options and warrants

The following options and warrants have been issued by the Company at 31 December 2004:

Options[1]

Number of ordinary shares	*Option price per share*	*Exercise period*
1,250,000[2]	Can$0.25	29 March 1999 to 29 March 2007
450,000[2]	35p	5 April 2004 to 31 March 2007
500,000	35p	24 September 2005 to 23 September 2014
790,000	76p	12 November 2005 to 11 November 2014
499,872	83.6p for the first two years of the exercise period. 91.2p for the third year of the exercise period.	12 November 2004 to 12 November 2007

Warrants

Number of warrants	Subscription price	Exercise period
2,502,045	52.5p for the first two years of the exercise period. 70p for the third year of the exercise period.	12 November 2004 to 12 November 2007
2,836,182	50p	9 June 2004 to 31 March 2005

[1] At 31 December 2004 some of the share options are held by directors of the Company. These are described in the Directors' Report.

[2] Under the Mortbury share option scheme, directors, employees and consultants of Mortbury were granted options to acquire ordinary shares in Mortbury. As a result of the acquisition of Mortbury, the Company agreed to satisfy these options by issuing options in the Company on the same basis as the outstanding Mortbury options. All Mortbury options that were exercisable at the date of the acquisition remain exercisable until 29 March 2007.

15. RESERVES

Group

	Share premium **£'000**	*Merger reserve* **£'000**	*Other reserve* **£'000**	*Profit and loss account* **£'000**	*Total* **£'000**
Premium on issue of fundraising shares	**15,157**	**–**	**–**	**–**	**15,157**
Premium on issue of acquisition shares	**–**	**8,606**	**–**	**–**	**8,606**
Intrinsic value of share options issued as part of acquisition	**–**	**–**	**312**	**–**	**312**
Loss for the period	**–**	**–**	**–**	**(320)**	**(320)**
	15,157	**8,606**	**312**	**(320)**	**23,755**

Company

	Share premium **£'000**	*Merger reserve* **£'000**	*Other reserve* **£'000**	*Profit and loss account* **£'000**	*Total* **£'000**
Premium on issue of fundraising shares	**15,157**	**–**	**–**	**–**	**15,157**
Intrinsic value of share options issued as part of acquisition	**–**	**–**	**312**	**–**	**312**
Loss for the period	**–**	**–**	**–**	**(258)**	**(258)**
	15,157	**–**	**312**	**(258)**	**15,211**

16. Reconciliation of Movement in Shareholders' Funds

	Period ended 31 December 2004 £'000
Issued share capital and premium	**15,657**
Merger reserve arising on the acquisition of the subsidiary	**8,606**
Issue of share options as part of acquisition consideration	**312**
Total recognised gains and losses for the period	**(320)**
Equity shareholders' funds at the end of the period	**24,255**

17. Related Party Transactions

The following amounts were paid to companies in which key management of the group have an interest:

	Period ended 31 December 2004 £'000	*Balance outstanding at 31 December 2004 £'000*
Amount paid to the Dragon Group, a group controlled by A J Williams, for the provision of fully serviced office accommodation in the UK and reimbursed expenses	**42**	**42**
Amount paid to Summit Resource, a company controlled by David Jones, for the provision of fully serviced office accommodation in Canada and reimbursed expenses	**23**	**1**
Amount paid to Aegis Instruments, owner of which is a director of a subsidiary, in respect of provision of geological consulting, administration services and reimbursed expenses	**12**	**3**

18. Commitments and Contingencies

Matsitama and Messina are obliged to incur certain minimum expenditure in respect of their prospecting licences. Below is a summary of this expenditure commitment as set out in the original licences:

Licence Number	*Duration*	*2005 £'000*	*2006 £'000*	*2007 £'000*
Matsitama				
14/2004	April 2004 – March 2007	69	69	–
15/2004	April 2004 – March 2007	69	69	–
16/2004	April 2004 – March 2007	69	69	–
17/2004	April 2004 – March 2007	69	69	–
01/2005	January 2005 – Dec 2007	9	30	30
Messina				
2004/IR	January 2005 – December 2006	22	22	–

19. POST BALANCE SHEET EVENTS

During the period 1 January 2005 to 31 March 2005 a total of 2,012,967 ordinary shares were issued as a result of the exercise of warrants at a price of 50p per share.

20. ULTIMATE CONTROL PARTY

The Company does not consider itself to be controlled by any one person or entity.

21. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of operating loss to net cash outflow from operating activities:

	Period ended 31 December 2004 £'000
Operating loss	**(403)**
Increase in debtors	**(160)**
Increase in creditors	**24**
Unrealized exchange gain	**(8)**
Net cash outflow from operating activities	**(547)**
Gross cash flows:	
Returns on investment and servicing of finance	
Interest received	**83**
Interest paid	**–**
	83
Capital expenditure	
Payments to acquire tangible fixed assets	**(28)**
Payments to acquire intangible fixed assets	**(57)**
	(85)
Acquisitions	
Cash acquired with subsidiary undertaking	**34**
Transaction costs	**(71)**
Cash consideration for purchase of subsidiary preference share	**(259)**
	(296)
Financing	
Issue of equity share capital – May 2004 placement	**1,985**
– November 2004 placement	**13,423**
Issue of equity upon exercise of warrants	**2**
Repayment of subsidiary company loan	**(1,155)**
	14,255

AFRICAN COPPER PLC

Notice is hereby given that the first Annual General Meeting of the Company will be held in the Oxford Suite of the Thistle Marble Arch Hotel, Bryanston Street, Marble Arch, London W1A 4UR on Thursday, 23 June 2005 at 11.30 a.m. for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions:

1. To receive and adopt the Reports of the Directors and Auditors and the Financial Statements for the period ended 31 December 2004.
2. To re-elect R D Corrans a Director.
3. To re-elect D Jones a Director.
4. To re-elect J A Hamilton a Director.
5. To re-elect B R Kipp a Director.
6. To re-elect M J Evans a Director.
7. To re-elect R M Whyte a Director.
8. To re-elect A J Williams a Director.
9. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which number 10 will be proposed as an ordinary resolution and number 11 will be proposed as a special resolution:

AUTHORITY TO ALLOT SECURITIES

10. That the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of £173,350 provided that this authority shall expire on the earlier of the date falling 15 months after the date of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2006 unless previously renewed, varied or revoked by the Company in general meeting save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

DISAPPLICATION OF PRE-EMPTION RIGHTS

11. That the Directors be and they are hereby empowered until the earlier of the date falling 15 months after the date of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2006 to allot equity securities (as defined in section 94(2) of the Companies Act 1985) of the Company for cash pursuant to the authority conferred by resolution 10 above as if section 89 of the said Act did not apply to any such allotment, provided that such power shall be limited to:

(i) the allotment of equity securities in connection with an issue or offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but including in connection with such an issue or offer, the making of such arrangements as the Directors may deem necessary or expedient to deal with problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in connection with fractional entitlements or otherwise; and

(ii) the allotment (otherwise than pursuant to the power referred to in (i) above) of equity securities up to an aggregate nominal amount of £26,000

provided that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if such authority had not expired.

By Order of the Board

G A Potts
Secretary

25 May 2005

Registered Office
22 Grosvenor Square
London W1K 6LF

NOTES:

(i) A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice. Instructions for use are shown on the form. Forms of proxy must be received by the Company's registrars, Computershare Investor Services plc, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3EA, no later than 11.30 a.m. on 21 June 2005. Completion and return of a form of proxy does not preclude a member from attending and voting in person.

(ii) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 6.00 p.m. on 21 June 2005, being not more than 48 hours before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(iii) The Register of Directors' Interests in the share capital and debentures of the Company, together with copies of service agreements under which Directors of the Company are employed, are available for inspection at the Company's Registered Office during normal business hours from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Corporate Inforamation

Directors
Roy D. Corrans
Chairman

Michael J. Evans
Non-executive Director

Rodney M. Whyte
Non-executive Director

Anthony J. Williams
Non-executive Director

David Jones
Chief Executive Officer

Joseph A. Hamilton
Chief Operating Officer

Bradley R. Kipp
Finance Director

Officers
David Jones
Chief Executive Officer

Joseph A. Hamilton
Chief Operating Officer

Bradley R. Kipp
Finance Director

Graham A. Potts
Secretary

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Botswana Stock Exchange
Symbol “African Copper”

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