



## **African Copper PLC**

Interim Report

Six Months (Second Quarter) ended 30 June 2005

Unaudited - Prepared by Management

Expressed in Sterling

The accompanying Interim Report for the six months ended 30 June 2005 and 30 June 2004 has not been reviewed or audited by the Company's Auditors and has an effective date of 16 September 2005

# AFRICAN COPPER PLC

## Consolidated profit and loss account

(Unaudited)

	Three Months Ended 30 June		Six Months Ended 30 June	For the period 11 February to 30 June
	2005 £	2004 £	2005 £	2004 £
Administrative expenses	(327,188)	(26,119)	(622,543)	(26,119)
Unrealized exchange loss	<u>(37,374)</u>	<u>-</u>	<u>(44,016)</u>	<u>-</u>
Operating loss	(364,562)	(26,119)	(666,559)	(26,119)
Bank interest receivable	<u>136,649</u>	<u>8,894</u>	<u>264,142</u>	<u>8,894</u>
Loss before and after tax	(227,913)	(17,225)	(402,417)	(17,225)
DEFICIT, beginning of period	<u>(494,843)</u>	<u>-</u>	<u>(320,339)</u>	<u>-</u>
DEFICIT, end of period	(722,756)	(17,225)	(722,756)	(17,225)
Loss per share	0.44p	0.17p	0.79p	0.26p

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

# AFRICAN COPPER PLC

## Consolidated Balance Sheet

		30 June 2005 (unaudited) £	30 June 2004 (unaudited) £	31 December 2004 (audited) £
	Notes			
<b>Fixed assets</b>				
Tangible assets	5	154,740	-	28,431
Intangible assets	6	11,683,730	7,617,090	10,917,808
		<u>11,838,470</u>	<u>7,617,090</u>	<u>10,946,239</u>
<b>Current assets</b>				
Debtors		89,224	-	159,499
Cash		13,508,548	842,067	13,410,483
		<u>13,597,772</u>	<u>842,067</u>	<u>13,569,982</u>
Creditors: amounts falling due within one year		(577,407)	(311,549)	(261,452)
<b>Net current assets</b>		<u>13,020,365</u>	<u>530,518</u>	<u>13,308,530</u>
<b>Net assets</b>		<u>24,858,835</u>	<u>8,147,608</u>	<u>24,254,769</u>
Share capital	7	520,051	263,224	500,000
Share premium		16,143,299	1,928,605	15,156,867
Merger reserve		8,606,241	5,661,004	8,606,241
Other reserve		312,000	312,000	312,000
Profit and loss account		(722,756)	(17,225)	(320,339)
<b>Equity shareholders' funds</b>		<u>24,858,835</u>	<u>8,147,608</u>	<u>24,254,769</u>

# AFRICAN COPPER PLC.

## Consolidated Cash Flow Statement

(Unaudited)

	Three Months Ended 30 June		Six Months Ended 30 June	For the period 11 February to 30 June
	2005 £	2004 £	2005 £	2004 £
Cash outflow from operating activities	1,516	39,922	(280,329)	39,922
Return on investment and service of financing	136,649	8,894	264,142	8,894
Capital expenditure	(797,570)	-	(892,231)	-
Acquisitions	-	(37,171)	-	(37,171)
Financing - issue of equity shares in the period	763,517	830,422	1,006,483	830,422
Cash inflow during the period	104,112	842,067	98,065	842,067
Net funds brought forward	13,404,436	-	13,410,483	-
Closing net funds	13,508,548	842,067	13,508,548	842,067

Note 10 provides further information on cash flows.

# AFRICAN COPPER PLC

Notes to the unaudited interim report for the period from  
1 January 2005 to 30 June 2005

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## 1. Nature of Operations and Accounting Policies

African Copper PLC (the "Company") is involved in the acquisition, exploration and development of resource properties in Botswana and is currently in the feasibility evaluation of an 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 directors consider that existing 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 currently forecast to provide sufficient working capital until the end of 2006. The Directors therefore consider it appropriate to prepare this interim report 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.

The management of African Copper PLC has prepared this unaudited interim report for the three and six months ended 30 June 2005. This interim report should be read in conjunction with the 31 December 2004 audited financial statements and was prepared using the same accounting policies as the 31 December 2004 audited financial statements with any significant differences from Canadian Standards outlined in note 11 to the interim report (see note 11).

In the opinion of management, all adjustments considered necessary for a fair presentation have been included in this interim report.

## 2. Segment Analysis

	Loss before taxation Six Months Ended 30 June 2005 £	Net assets/(liabilities) Six Months Ended 30 June 2005 £
<b>By geographical area</b>		
UK	299,748	25,024,740
Botswana	102,669	(165,905)

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Notes to the unaudited interim report for the period from  
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## 3. Taxation

The potential deferred tax asset relating to the loss for the period has not been recognized in this interim report.

Refer to the 31 December 2004 audited financial statements for additional information on the tax position of Company.

## 4. Basic and Diluted Loss Per Ordinary Share

The basic loss per share is computed by dividing the loss for the period by the weighted average number of ordinary shares in issue during the period. Diluted loss per ordinary share is the same as basic loss per ordinary share. The effect of ordinary share purchase options and warrants on the net loss for the periods presented is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per ordinary share:

	Three Months Ended 30 June		Six Months Ended 30 June	For the period 11 February to 30 June
	2005	2004	2005	2004
Basic and diluted loss per ordinary share	0.44p	0.17p	0.79p	0.26p
<b>Numerator:</b>				
Net loss for the period	£227,913	£17,255	£402,417	£17,255
<b>Denominator:</b>				
Number of Shares	51,839,783	10,413,258	50,968,654	6,720,617

## 5. Tangible Fixed Assets

Cost	Vehicle and office equipment £
At 31 December 2004	28,431
Additions	126,309
Net book value at 30 June 2005	154,740

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## 6. Intangible Assets

	Goodwill £	Deferred Exploration Costs £	Total £
At 31 December 2004	8,684,180	2,233,628	10,917,808
Additions	-	765,922	765,922
At 30 June 2005	8,684,180	2,999,550	11,683,730

### Goodwill

#### A. Mortbury Limited Transaction

On 26 May 2004 the Company acquired the entire issued ordinary share capital of Mortbury Limited ("Mortbury") in respect of which the Company issued 20,650,010 ordinary shares. Mortbury, through its wholly-owned subsidiaries, Messina Copper (Botswana) (Proprietary) Limited ("Messina") and Matsitama Minerals (Proprietary) Limited ("Matsitama") owns six prospecting licences and one retention licence covering the Dukwe and the Matsitama Projects in Botswana.

#### B. Purchase of Subsidiary Preference Share

On 26 November 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 76p.

## 7. Share Capital

- a) Authorized – 495,000,000 Ordinary shares of 1p each  
50,000 Redeemable preference shares of £ 1 each
- b) Issued

Ordinary shares	Number of shares	Amount £
Balance, 31 December 2004	49,992,173	499,921
Exercise of warrants for cash	2,012,967	20,130
Balance, 30 June 2005	52,005,140	520,051

### Share Options

	Number of Share Options	Weighted Average Exercise Price £
Balance, 31 December 2004	3,489,872	0.43
Options granted	1,500,000	0.76
Balance, 30 June 2005	4,989,872	0.53

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Notes to the unaudited interim report for the period from  
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## 7. Share Capital (continued)

On 14 January 2005, 1,500,000 share options were granted to a director and officer of the Company at a price of 76p per share expiring on 14 January 2015. These share options vest as to 750,000 shares after six months and 750,000 shares after twelve months.

The following table reflects the share options outstanding as of 30 June 2005:

Expiry Date	Weighted Average Exercise price	Options Outstanding
2007	Can\$0.25	1,250,000 (1)
2007	35p	450,000 (1)
2007	84p	499,872 (2)
2014	60p	1,290,000
2015	76p	1,500,000
		<b>4,989,872</b>

- (1) 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 shares in the Company on the same basis as shares were issued to Mortbury shareholders. All Mortbury options that were exercisable at the date of the acquisition remain exercisable until 29 March 2007. No further options will be granted under the Mortbury share scheme.
- (2) Compensation Option issued to Numis Securities Limited ("Numis") in connection with the Company's initial public offering on 12 November 2004. The Compensation Option entitles Numis to subscribe for 499,872 Ordinary Shares at 83.6p each until 12 November 2006 and 91.2p each for one year thereafter.

## Warrants

The following table reflects the continuity of warrants:

Expiry Date	Exercise Price	31 December 2004	Issued	Exercised	Expired	30 June 2005
31 March 2005	50p	2,836,182	-	2,012,967	823,215	-
12 November 2007	52.5p for first two years of the exercise period	2,502,045	-	-	-	2,502,045
	70p for the third year of the exercise					
		<b>5,338,227</b>		<b>2,012,967</b>	<b>823,215</b>	<b>2,502,045</b>

During the six months ended 30 June 2005 a total of 2,012,967 warrants were exercised for proceeds of £1,006,483.

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Notes to the unaudited interim report for the period from  
1 January 2005 to 30 June 2005

## 8. Related Party Transactions

The following amounts were paid to companies in which directors have an interest:

	Three Months Ended 30 June		Six months Ended 30 June	For the period 11 February to 30 June
	2005 £	2004 £	2005 £	2004 £
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	22,930	-	56,503	-
Amount paid to Summit Resource, a company controlled by D. Jones, for the provision of fully serviced office accommodation in Canada and reimbursed expenses	9,630	-	20,974	-

## 9. 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 £	2006 £	2007 £	2008 £
<b>Matsitama</b>					
14/2004	April 2004 – March 2007	57,135	57,135	-	-
15/2004	April 2004 – March 2007	57,135	57,135	-	-
16/2004	April 2004 – March 2007	57,135	57,135	-	-
17/2004	April 2004 – March 2007	57,135	57,135	-	-
01/2005	January 2005 – Dec 2007	7,559	25,197	25,197	-
<b>Messina</b>					
2004/IR	January 2005 – Dec 2006	18,142	18,142	-	-
33/2005	July 2005 – June 2008	-	61,324	61,324	61,324

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Notes to the unaudited interim report for the period from  
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## 10. Notes to the Cash Flow Statement

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

	Three Months Ended 30 June		Six Months Ended 30 June	For the period 11 February to 30 June
	2005 £	2004 £	2005 £	2004 £
Operating Loss	(364,562)	(26,119)	(666,559)	(26,119)
Decrease in debtors	5,167	-	70,275	-
Increase in creditors	323,537	66,041	271,939	66,041
Unrealised exchange gain(loss)	37,374	-	44,016	-
<b>Net cash outflow from operating activities</b>	<b>1,516</b>	<b>39,922</b>	<b>(280,329)</b>	<b>39,922</b>
<b>Gross cash flows:</b>				
<b>Returns on investment and servicing of finance</b>				
Interest received	136,649	8,894	264,142	8,894
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(61,557)	-	(126,309)	-
Payments to acquire intangible assets	(736,013)	-	(765,922)	-
	<b>(797,570)</b>	<b>-</b>	<b>(892,231)</b>	<b>-</b>
<b>Acquisitions</b>				
Cash acquired with subsidiary undertakings	-	33,829	-	33,829
Transaction costs	-	(71,000)	-	(71,000)
	<b>-</b>	<b>(37,171)</b>	<b>-</b>	<b>(37,171)</b>
<b>Financing</b>				
Issue of equity share capital – May 2004 placement	-	1,985,328	-	1,985,328
Issue of equity upon exercise of warrants	763,517	-	1,006,483	-
Repayment of subsidiary company loan	-	(1,154,906)	-	(1,154,906)
	<b>763,517</b>	<b>830,422</b>	<b>1,006,483</b>	<b>830,422</b>

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Notes to the unaudited interim report for the period from  
1 January 2005 to 30 June 2005

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## 11. Significant Differences from Canadian GAAP

This interim financial report (unaudited) of the Company has been prepared in accordance with United Kingdom generally accepted accounting policies ("UK GAAP") which, as applied in the interim report for the six month periods ended 30 June 2005, conform in all material respects to those accounting principles generally accepted in Canada ("Canadian GAAP"); except for the significant variances from the application of Canadian GAAP on the Company's interim report (unaudited) as set out below:

### (a) Stock Based Compensation:

Effective 1 January 2004 for Canadian GAAP under CICA 3870 "Stock-based Compensation and Other Stock-based Payments" requires an expense to be recognized in the financial statements for all forms of employee stock-based compensation. In 2004, the Company granted options to employees, directors, officers and consultants of the Company to purchase ordinary shares. The following details the value attributed to the options granted:

- i) 450,000 options at a price of 35P for three years. Value attributed: £ 68,750
- ii) 500,000 options at a price of 35P for ten years. Value attributed: £ 96,675
- iii) 790,000 options at a price of 76P for ten years. Value attributed: £ 331,680

For the purposes of Canadian GAAP, £ 497,105 would have been expensed in 2004 and a corresponding amount credited to contributed surplus.

On 14 January 2005, 1,500,000 share options were granted to a director and officer of the Company at a price of 76p per share option expiring on 14 January 2015. These share options vest as to 750,000 shares after six months and 750,000 shares after 12 months. The fair value of these share options granted amounted to £510,000 and was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; risk-free interest rate of 4.5%; expected life of 10 years; and volatility of 60%. Had compensation costs been expensed, the expense would only be £193,375 for the three months ended 30 June 2005 (2004 - £Nil) and £352,750 for the six months ended 30 June 2005 (2004 - £Nil) as a result of the vesting period for the options.

Had the financial statements been reported under Canadian GAAP, shareholder's equity would be reported as follows:

	30 June 2005 £	31 December 2004 £
Share capital	520,051	500,000
Share premium	16,143,299	15,156,867
Merger reserve	8,606,241	8,606,241
Other reserve	312,000	312,000
Contributed surplus	849,855	497,105
Profit and loss account	(1,572,611)	(817,444)
	<u>24,858,835</u>	<u>24,254,769</u>

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Notes to the unaudited interim report for the period from  
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## 11. Significant Differences from Canadian GAAP (continued)

Had the financial statements been reported under Canadian GAAP, the profit and loss account would be reported as follows:

	Three Months Ended 30 June		Six Months Ended 30 June	For the period 11 February to 30 June
	2005 £	2004 £	2005 £	2004 £
Total expenses as reported in accordance with UK GAAP	(364,562)	(26,119)	(666,559)	(26,119)
Adjustment to accord with Canadian GAAP relating to stock based compensation	<u>(193,375)</u>	<u>-</u>	<u>(352,750)</u>	<u>-</u>
Operating loss, as reported in accordance with Canadian GAAP	(557,937)	(26,119)	(1,019,309)	(26,119)
Bank interest receivable	<u>136,649</u>	<u>8,894</u>	<u>264,142</u>	<u>8,894</u>
Loss before and after tax	(421,288)	(17,225)	(755,167)	(17,225)
DEFICIT, beginning of period	<u>(494,843)</u>	<u>-</u>	<u>(320,339)</u>	<u>-</u>
DEFICIT, end of period	<u>(916,131)</u>	<u>(17,225)</u>	<u>(1,075,506)</u>	<u>(17,225)</u>
Loss per share	0.81p	0.17p	1.48p	0.26p

### (b) Goodwill

Under UK GAAP amortisation of goodwill arising from an acquisition 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.

Under Canadian GAAP, the goodwill arising on acquisition of Mortbury Limited would have been assigned to the deferred exploration costs due to the allocation of the fair value of the purchase price to all the assets, liabilities and intangible assets of the acquired enterprise. This addition to the mining assets would be amortized only as the mining properties are put into production and written off when the properties are abandoned or when cost recovery is uncertain.

Accordingly, there is no adjustment required relating to goodwill or amortization of goodwill under UK GAAP or Canadian GAAP.

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Notes to the unaudited interim report for the period from  
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### 11. Significant Differences from Canadian GAAP (continued)

#### (c) Foreign exchange data

All amounts included in this interim report are reported in Sterling. The following table reflects the low and high rates for one Pound Sterling, expressed in Canadian dollars in effect during the periods noted, the rates of exchange at the end of such periods and the average rates of exchange during such periods, based on the Bank of Canada average noon spot rate of exchange.

	<b>Six months ended 30 June</b>	
	<b>2005</b>	<b>2004</b>
Low for the period	2.1973	2.3104
High for the period	2.4032	2.5237
Rate at the end of period	2.1973	2.4297
Average rate for period	2.3141	2.4391