



# **AFRICAN COPPER PLC**

## **UNAUDITED CONSOLIDATED FINANCIAL INFORMATION**

**Three and Nine Months ended 30 September 2006**

**Expressed in Pounds Sterling**

The accompanying Financial Information for the three and nine months ended 30 September 2006 and 30 September 2005 have not been reviewed or audited by the Company's Auditors and has an effective date of 13 November 2006.

**AFRICAN COPPER PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the three and nine month periods ended 30 September 2006  
(Unaudited)

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2006 £	2005 £ <i>(as restated)*</i>	2006 £	2005 £ <i>(as restated)*</i>
Administrative expenses	<b>(761,213)</b>	(368,738)	<b>(1,274,618)</b>	(1,063,396)
Operating loss	<b>(761,213)</b>	(368,738)	<b>(1,274,618)</b>	(1,063,396)
Bank interest receivable	<b>660,398</b>	154,409	<b>992,325</b>	418,551
Foreign exchange loss	<b>(579,036)</b>	-	<b>(296,876)</b>	-
Loss before and after tax	<b>(679,851)</b>	(214,329)	<b>(579,168)</b>	(644,845)
Basic loss per ordinary share (Note 2)	<b>(0.53)p</b>	(0.41)p	<b>(0.69)p</b>	(1.26)p

All amounts relate to continuing operations.

\* see Note 7 Share Based Payments

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
For the three and nine month periods ended 30 September 2006  
(Unaudited)

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2006 £	2005 £ <i>(as restated)*</i>	2006 £	2005 £ <i>(as restated)*</i>
Loss after tax for the financial period	<b>(679,851)</b>	(214,329)	<b>(579,168)</b>	(644,845)
Currency translation differences	<b>(784,409)</b>	40,824	<b>(1,892,958)</b>	(3,192)
Total recognised losses for the period	<b>(1,464,260)</b>	(173,505)	<b>(2,472,126)</b>	(648,037)

\* see Note 7 Share Based Payments

**AFRICAN COPPER PLC**  
**CONSOLIDATED BALANCE SHEETS**

As at 30 September 2006  
(Unaudited)

		As at 30 September 2006 (unaudited)	As at 31 December 2005 (audited)
	<i>Notes</i>	£	£
<b>Fixed Assets</b>			
<b>Intangible Assets</b>			
Goodwill	3	8,684,180	8,684,180
Deferred exploration costs	3	12,033,294	7,158,314
		<hr/>	
<b>Total Intangible Assets</b>		<b>20,717,474</b>	15,842,494
Tangible assets	4	240,830	120,120
		<hr/>	
		<b>20,958,304</b>	15,962,614
		<hr/>	
<b>Current Assets</b>			
Debtors		269,533	227,618
Prepayments		15,177	-
Cash at bank and short term deposits		58,083,052	10,675,709
		<hr/>	
		<b>58,367,762</b>	10,903,327
		<hr/>	
<b>Creditors</b>			
Amounts falling due within one year		(1,980,121)	(1,912,530)
		<hr/>	
<b>Net Current Assets</b>		<b>56,387,641</b>	8,990,797
		<hr/>	
<b>Net Assets</b>		<b>77,345,945</b>	24,953,411
		<hr/>	
Share capital	5	1,298,012	520,332
Share premium	8	69,353,581	16,157,506
Merger reserve	8	8,606,461	8,606,461
Other reserve	8	2,139,530	1,248,625
Profit and loss account	8	(4,051,639)	(1,579,513)
		<hr/>	
<b>Equity Shareholders' Funds</b>		<b>77,345,945</b>	24,953,411
		<hr/>	

**AFRICAN COPPER PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**

For the three and nine month periods ended 30 September 2006  
(Unaudited)

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2006	2005	2006	2005
	£	£	£	£
Net cash inflow/(outflow) from operating activities	<b>(606,858)</b>	538,780	<b>(1,117,724)</b>	258,451
Return on investment and servicing of finance	<b>81,362</b>	154,409	<b>695,449</b>	418,551
Capital expenditure	<b>(1,946,966)</b>	(1,722,247)	<b>(6,144,138)</b>	(2,614,478)
Management of liquid resources	<b>1,525,966</b>	-	<b>(47,433,677)</b>	-
Financing – issue of equity shares during the period	<b>733,255</b>	14,709	<b>53,973,755</b>	1,021,192
	<hr/>			
Cash outflow during the period	<b>(213,241)</b>	(1,014,349)	<b>(26,334)</b>	(916,284)
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Note 11 provides further information on cash flows.

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**  
(Unaudited)

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2006	2005	2006	2005
	£	£	£	£
Decrease in cash in the period	<b>(213,241)</b>	(1,014,349)	<b>(26,334)</b>	(916,284)
Cash inflow/(outflow) from management of liquid resources	<b>(1,525,966)</b>	-	<b>47,433,677</b>	-
Change in net funds arising from cash flows	<b>(1,739,207)</b>	(1,014,349)	<b>47,407,343</b>	(916,284)
Opening net funds	<b>59,822,259</b>	13,508,548	<b>10,675,709</b>	13,410,483
Closing net funds	<b>58,083,052</b>	12,494,199	<b>58,083,052</b>	12,494,199
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# African Copper plc

Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

## 1. Nature of Operations and Availability of Project Finance

African Copper Plc (“African Copper” or the “Company”) is the holding company of a mineral exploration and development group of companies (the “Group”). The Group is involved in the exploration and development of copper deposits in Botswana and is currently in the development of a copper deposit (the “Dukwe Project”) and an exploration project (the “Matsitama Project”). The Dukwe Project is located in the northeastern portion of Botswana and the Matsitama Project is contiguous to the southern boundary of the Dukwe Project.

On 30 March 2006 a report prepared by A.C.A. Howe International Limited entitled “Technical Report on the Dukwe Copper Project and Matsitama Prospecting Licences Botswana Africa” (the “Technical Report”) was released (a copy of which is available at [www.africancopper.com](http://www.africancopper.com) or SEDAR at [www.sedar.com](http://www.sedar.com)). The Technical Report reviewed work completed to date on the Company’s projects and provided recommendations to develop a mine at the Dukwe Project and advance the Matsitama Project.

On 5 June 2006 the Company received shareholder approval at an Extraordinary General Meeting for the completion of a public offering to raise £52.9 million, net of expenses, through the issue of 34,375,000 ordinary shares at 77.5p per share and 40,625,000 ordinary shares at Can\$1.60. The Board plans to use the funds raised to execute on the recommendations contained in the Technical Report. The strategy contemplates cashflow generated from the proposed mining operations at the Dukwe deposit to continue funding the further exploration and development of the Matsitama Belt.

If the aforementioned strategy is successful, the Board believes that future cash flow from operations coupled with available working capital, should be sufficient to permit the Company to finance its business internally and to obtain debt financing when, and if, necessary and appropriate.

The accompanying interim consolidated financial information is prepared by management in accordance with United Kingdom generally accepted accounting principles. Selected information and disclosures required in notes to annual consolidated financial statements has been condensed or omitted. This interim consolidated financial information should be read in conjunction with the Company's audited annual consolidated financial statements and notes for the year ended 31 December 2005. The interim financial information has been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended 31 December 2005.

## 2. Basic and Diluted Loss Per Share

The calculation of basic loss per ordinary share for the nine months ended 30 September 2006 is based on the loss on ordinary activities after taxation of £579,168 (2005: £644,845) and on 83,807,529 (2005:51,320,922) ordinary shares being the weighted average of ordinary shares in issue during the period. For the three months ended 30 September 2006, the calculation of basic loss per ordinary share is based on the loss on ordinary activities after taxation of £679,851 (2005: £214,329) and on 128,187,547 (2005:52,013,971). No diluted loss per share is presented as the effect of the exercise of warrants and share options would be to decrease the loss per share.

Details of warrants and share options in issue which could potentially dilute earnings per share in the future are shown in Note 6 and Note 7.

# African Copper plc

Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

## 3. Intangible Assets

	<i>Goodwill</i>	<i>Deferred Exploration Costs</i>	<i>Total</i>
	£	£	£
Balance, 31 December 2004	8,684,180	2,330,128	11,014,308
Additions	-	4,755,317	44,755,317
Share option expense	-	388,048	388,048
Exchange	-	(315,179)	(315,179)
Balance, 31 December 2005	8,684,180	7,158,314	15,842,494
Additions	-	5,656,928	5,656,928
Share option expense	-	434,102	434,102
Exchange	-	(1,216,050)	(1,216,050)
<b>At 30 September 2006</b>	<b>8,684,180</b>	<b>12,033,294</b>	<b>20,717,474</b>

## 4. Tangible Fixed Assets

	<i>Vehicles</i>	<i>Computer and Office Equipment</i>	<i>Furniture and Fittings</i>	<i>Total</i>
	£	£	£	£
<b>Cost</b>				
Balance, 31 December 2004	28,431	-	-	28,431
Additions	102,759	25,987	4,661	133,407
Balance, 31 December 2005	131,190	25,987	4,661	161,838
Additions	174,160	23,393	10,700	208,253
Exchange	(28,514)	(5,648)	(1,014)	(35,176)
<b>At 30 September 2006</b>	<b>276,836</b>	<b>43,732</b>	<b>14,348</b>	<b>334,915</b>
<b>Depreciation</b>				
Balance, 31 December 2004	-	-	-	-
Charge for the year	32,798	7,988	932	41,718
Balance, 31 December 2005	32,798	7,988	932	41,718
Charge for the period	51,226	8,156	2,052	61,434
Exchange	(7,129)	(1,736)	(202)	(9,067)
<b>At 30 September 2006</b>	<b>76,895</b>	<b>14,409</b>	<b>2,782</b>	<b>94,085</b>
<b>Net book value</b>				
At 31 December 2004	28,431	-	-	28,431
At 31 December 2005	98,392	17,999	3,729	120,120
<b>At 30 September 2006</b>	<b>199,941</b>	<b>29,323</b>	<b>11,566</b>	<b>240,830</b>

# African Copper plc

Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

## 5. Share Capital

	<i>Number</i>	<i>Amount</i> <i>£'000</i>
<b>Authorised</b>		
Ordinary Shares of 1p each	495,000,000	4,950
Redeemable preference shares of £1 each	50,000	50
<b>Issued</b>		
	<i>Number</i>	<i>Amount</i> <i>£</i>
Balance, 31 December 2004	49,992,173	499,922
Ordinary Shares issued on exercise of warrants	2,040,982	20,410
Balance, 31 December 2005	52,033,155	520,332
Ordinary Shares issued on exercise of warrants	1,768,030	17,680
Ordinary Shares issued on public placement	75,000,000	750,000
Ordinary Shares issued on exercise of share options	1,000,000	10,000
<b>Balance 30 September 2006</b>	<b>129,801,185</b>	<b>1,298,012</b>

On 9 February 2006 a total of £52,521 was raised from the exercise of 100,000 warrants to purchase ordinary shares of 1p of the Company at 52.5p.

On 6 June 2006 the Company completed a public placement to raise gross proceeds of £57.96 million, through the issuance of 34,375,000 ordinary shares of 1p at 77.5p per share and 40,625,000 ordinary shares of 1p at Can\$1.60 per share. The net proceeds of the offering were £52.9 million after deducting a 6% cash commission to the underwriters of £3.48 million plus various professional fees and stamp duty reserve tax costs related to the offering.

On 27 June 2006, a total of £145,041 was raised from the exercise of 900,000 share options to purchase ordinary shares of the Company at Can\$0.25 and 100,000 share options to purchase ordinary shares of the Company at 35p. These share options were options originally granted under the Mortbury Limited option plan (Note 7).

On 27 September 2006 a total of £875,715 was raised from exercise of 1,668,030 warrants to purchase ordinary shares of 1p of the Company at 52.5p.

### Subsequent to 30 September 2006:

On 6 November 2006 a total of £370,650 was raised from the exercise of 706,000 warrants to purchase ordinary shares of 1p of the Company at 52.5p (Note 6).

## 6. Share purchase warrants

The Company has in issue the following warrants at 30 September 2006:

<i>Number of Warrants at 30 September 2006</i>	<i>Number of Warrants at 31 December 2005</i>	<i>Date of Grant</i>	<i>Subscription Price</i>	<i>Exercise Period</i>
706,000 <sup>2</sup>	2,474,030	26 May 2004	£0.525 from admission <sup>1</sup> until two years following admission date. £0.70 from that date until three years following admission date.	up to 3 years following admission.

- Admission to the Alternative Investment Market of the London Stock Exchange at November 12, 2004.
- On 6 November 2006, 706,000 warrants were exercised for ordinary shares of 1p each at an exercise price of 52.5p per share for gross proceeds totalling £370,650.

# African Copper plc

Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

## 7. Share Based Payments

During 2005, the Company elected to adopt Financial Reporting Standards 20 (“FRS 20”), “Share Based Payments”, with effect from 11 February 2004 (date of incorporation), which represents early adoption of this standard and a change in accounting policy. Under FRS 20, the Group either charges the profit and loss account or capitalises as deferred exploration costs with the fair value of share options issued, depending on the nature of the grant. The fair value is calculated using the Black-Scholes method, which is then spread over the vesting period after allowing for any expected lapses. An exemption applies for options which were granted prior to 7 November 2002. The effect of this change in accounting policy was to increase the loss before tax for the nine months ended 30 September 2005 by £108,497 and increase the net assets of the Group at 30 September 2005 by £300,146.

The Company has established a share option scheme with the purpose of motivating and retaining qualified management and to ensure common goals for management and the shareholders. Under the African Copper share plan each option gives the right to purchase one African Copper ordinary share. For options granted to employees the vesting period is generally between one and three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the consultant or employee leaves the Company.

As part of the acquisition of Mortbury Limited, the Company agreed to grant options in the Company on the same basis as the Mortbury options outstanding on the date of acquisition. No further options will be granted under the Mortbury share scheme. Under the Mortbury share option scheme, directors, employees and consultants of Mortbury were granted a total of 1,700,000 to acquire ordinary shares of Mortbury with a weighted average exercise price of 17p. On 27 June 2006 a total of £145,041 was generated from the exercise of Mortbury options with the exercise of 900,000 share options at Can\$0.25 and 100,000 share options at 35p.

As at 30 September 2006 ordinary share options held by directors, officers, employees and consultants are as follows:

Exercise Prices	Outstanding Number of Share Options	Weighted Average Remaining Contractual Life (years)	Exercisable Number of Options
Can\$0.25	350,000	0.50	350,000
35.0p	850,000	4.90	683,333
76.0p	2,960,000	8.33	2,566,667
77.5p	7,710,000	9.85	2,820,000
83.6p	499,872	1.12	499,872
	<b>12,369,872</b>	<b>8.53</b>	<b>6,919,872</b>

During the nine month period ended 30 September 2006, 7,710,000 options (2005:2,020,000) were granted. During this period £890,905 (2005: £408,643) in share based expense was recorded as other reserve. Of the £890,905 recorded as other reserve, £456,803 (2005:£108,497) was recorded as share based expense and £434,102 (2005: £300,146) was charged to deferred exploration costs.

The following table reflects the continuity of stock options for the nine months ended 30 September 2006:

	Number of Stock Options	Weighted Average Exercise Price
Balance, 31 December 2004	3,489,872	43p
Options granted	2,260,000	76p
Forfeited during the year	(90,000)	76p
Balance, 31 December 2005	5,659,872	55p
Options granted	7,710,000	77.5p
Options exercised	(1,000,000)	14p
<b>Balance, 30 September 2006</b>	<b>12,369,872</b>	<b>74p</b>

# African Copper plc

Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

## 8. Reserves

	Share Premium	Merger Reserve	Other Reserve	Profit and Loss Account	Total
	£	£	£	£	£
Balance, 31 December 2004	15,156,725	8,606,461	740,300	(652,128)	23,851,358
Premium on exercise of warrants	1,000,781	-	-	-	1,000,781
Loss arising in the period	-	-	-	(612,206)	(612,206)
Currency translation differences	-	-	-	(315,179)	(315,179)
Credit arising on share options	-	-	508,325	-	508,325
Balance, 31 December 2005	16,157,506	8,606,461	1,248,625	(1,579,513)	24,433,079
Premium on exercise of warrants	910,556	-	-	-	910,556
Premium on public placement	52,150,478	-	-	-	52,150,478
Premium on exercise of share options	135,041	-	-	-	135,041
Loss arising in the period	-	-	-	(579,168)	(579,168)
Currency translation differences	-	-	-	(1,892,861)	(1,892,861)
Credit arising on share options	-	-	890,905	-	890,905
<b>At 30 September 2006</b>	<b>69,353,581</b>	<b>8,606,461</b>	<b>2,139,530</b>	<b>(4,051,639)</b>	<b>76,047,933</b>

## 9. Equity Shareholders' Funds

	Three Months ended 30 September		Nine Months ended 30 September	
	2006	2005	2006	2005
	£	£	£	£
Loss for the period	(679,851)	(214,329)	(579,168)	(644,845)
Currency translation losses/(gain) in the period	(784,409)	40,824	(1,892,958)	(3,192)
	(1,464,260)	(173,505)	(2,472,126)	(648,037)
New share capital subscribed	16,680	-	777,680	20,052
Share premium arising on share issue net of expenses	716,575	-	53,196,075	986,432
Credit arising on share options	844,957	134,892	890,905	423,350
Net change to shareholders' funds in the period	113,953	(38,613)	52,392,534	781,797
Opening shareholders' funds	77,231,992	25,171,679	24,953,411	24,351,269
Closing shareholders' funds	77,345,945	25,133,066	77,345,945	25,133,066

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Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

## 10. Related Parties and Transactions With Directors

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

	Three Months ended 30 September		Nine Months ended 30 September	
	2006	2005	2006	2005
	£	£	£	£
Amount paid to the Dragon Group, a group controlled by A.J. Williams, for fully serviced office accommodation in the UK and reimbursed expenses	<b>18,102</b>	21,433	<b>53,352</b>	77,936
Amount paid to Summit Resource Management Limited, a company controlled by David Jones, for fully serviced office accommodation in Canada and reimbursed expenses	<b>20,931</b>	9,630	<b>58,170</b>	30,604
The Company entered into an agreement with Pickax Corporation ("Pickax") to provide the services of Mr. Joseph Hamilton, a director and Chief Operating Officer of the Company. The agreement commenced on 1 July 2006, during which time Pickax will be paid £164,800 per year. Pickax is a corporation controlled by Joseph Hamilton. This agreement replaced an existing executive services agreement on materially the same terms and conditions.	<b>41,200</b>	-	<b>41,200</b>	-

These related party transactions were in the normal course of operations and are recorded at their exchange amount. At 30 September 2006, £12,227 (2005: £6,976) was outstanding to the Dragon Group and £2,279 (2005: £1,714) was outstanding to Summit Resource Management Limited.

## 11. Notes to the Cash Flow Statement

### Reconciliation of operating loss to net cash inflow/(outflow) from operating activities:

	Three Months ended 30 September		Nine Months ended 30 September	
	2006	2005	2006	2005
	£	£	£	£
Operating loss	<b>(761,213)</b>	(368,738)	<b>(1,274,618)</b>	(1,063,396)
Decrease/(increase) in debtors	<b>7,713</b>	(27,170)	<b>(57,092)</b>	43,105
Increase/(decrease) in creditors	<b>(306,063)</b>	898,306	<b>(242,817)</b>	1,170,244
Share option expense	<b>452,705</b>	36,382	<b>456,803</b>	108,498
Net cash inflow/(outflow) from operating activities	<b>(606,858)</b>	538,780	<b>(1,117,724)</b>	258,451

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Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

## 11. Notes to the Cash Flow Statement (continued)

### Gross cash flows:

	Three Months ended 30 September 2006		Nine Months ended 30 September 2006	
	2006	2005	2006	2005
	£	£	£	£
<b>Returns on investment and servicing of finance</b>				
Interest received	660,398	154,409	992,325	418,551
Foreign exchange loss	(579,036)	-	(296,876)	-
	<b>81,362</b>	154,409	<b>695,449</b>	418,551
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets	(76,785)	(36,599)	(182,145)	(162,908)
Payments to acquire intangible fixed assets	(1,870,180)	(1,685,648)	(5,961,992)	(2,451,570)
	<b>(1,946,965)</b>	(1,722,247)	<b>(6,144,137)</b>	(2,614,478)
<b>Management of liquid resources</b>				
Amounts placed on term deposit	1,525,966	-	(47,433,677)	-
	<b>1,525,966</b>	-	<b>(47,433,677)</b>	-
<b>Financing</b>				
Issue of equity upon exercise of warrants	875,715	14,709	928,236	1,021,192
Issue of equity share capital - public placement	-	-	57,964,248	-
Cost of equity share capital - public placement	(142,460)	-	(5,063,770)	-
Issue of equity upon exercise of share options	-	-	145,041	-
	<b>733,255</b>	14,709	<b>53,973,755</b>	1,021,192
<b>Analysis of net funds</b>				
	At 31 December 2005	Cash flows	At 30 September 2006	
	£	£	£	
Cash at bank and in hand	296,990	(26,334)	270,656	
Liquid resources	10,378,719	47,433,677	57,812,396	
	10,675,709	47,407,343	58,083,052	

## 12. Significant Differences from Canadian GAAP

The interim financial statements of the Company for the three and nine months ended 30 September 2006 have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles (“UK GAAP”) which, as applied in the financial statements, conforms in all material respects to those accounting principles generally accepted under Canadian Generally Accepted Accounting Principles (“CDN GAAP”), except as described below.

### (a) Acquisition Accounting

Under UK GAAP the exchange of shares of African Copper for the shares of Mortbury Limited (“Mortbury”) is accounted for as an acquisition of Mortbury by African Copper. This share exchange resulted in the former shareholders of Mortbury owning a majority of African Copper. As a result, under CDN GAAP this transaction is treated as an acquisition of African Copper by Mortbury, referred to as a “reverse take-over”. As African Copper was not an operating business prior to this share exchange, the transaction will be accounted for as a capital

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Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

transaction of Mortbury. This transaction is the equivalent of the issuance of shares by Mortbury for the net assets of African Copper, accompanied by a recapitalization of Mortbury.

For CDN GAAP purposes, Mortbury is considered the continuing business. Accordingly, the financial statements would reflect the results of operations of Mortbury for the year from 1 January 2004 to 31 December 2004 and include the results of operations of African Copper only from the date of the share exchange, 26 May 2004. The reverse take-over acquisition would be recorded at the book value of the net assets of African Copper acquired, being \$1. Accordingly, no goodwill would arise from this transaction. Also, all costs pertaining to the transaction would be considered costs of issuing the shares and recapitalizing Mortbury.

## **(b) Re-purchase of Mortbury Preference Share**

As a result of the accounting treatment given the share exchange, as described previously, the subsequent purchase of the Mortbury Class C Preference share would also be treated as a capital transaction for CDN GAAP. Accordingly, the excess of the fair value of the consideration given for the Preference share over its book value would be reflected as a premium on re-purchase of the share, charged separately to the accumulated loss account. Under UK GAAP this difference became an additional component of goodwill.

## **(c) Warrants**

Under UK GAAP the fair value of warrants issued is not required. Under CDN GAAP the Company is required to determine the fair value of warrants issued using an acceptable pricing model (in this case the Black-Scholes Option Pricing Model has been used) and to separate this value from the underlying equity instrument, or record a cost equal to the fair value of the warrants issued.

In 2004 the Company issued warrants in connection with its 26 May private placement (with each investor receiving ½ share purchase warrant and one ordinary share per unit invested) and issued warrants to former Mortbury creditors as part of the 26 May share exchange. The following details the value attributed to the warrants granted:

- i) On 9 June 2004, 2,841,182 warrants at a price of 50p per share were granted in connection with the 26 May 2004 private placement. The fair value of these warrants amounted to £92,744, estimated based on the following assumptions: dividend yield of 0%; risk-free interest rate of 4.5%; expected life of 1 year; and volatility of 60%. This value has been recorded as an increase in “Contributed Surplus” in the Equity Shareholders’ Funds section of the balance sheet and a reduction in share premium related to the proceeds received from the private placement. During 2005, a total of 2,012,967 warrants were exercised and 828,215 warrants expired. The exercise of these warrants was recorded as a decrease in “Contributed Surplus” in the Equity Shareholders’ Funds section and an addition to the share premium related to the fair value that was previously recorded for the warrants.
- ii) On 12 November 2004, 2,502,045 warrants at a price of 52.5p per share for the first two years and 70p per share for the third year were granted in connection with the 26 May 2004 share exchange. The fair value of these warrants amounted to £878,894, estimated based on the following assumptions: dividend yield of 0%; risk-free interest rate of 4.5%; expected life of 3 years; and volatility of 60%. This value has been recorded as an increase in “Contributed Surplus” in the Equity Shareholders’ Funds section of the balance sheet and a reduction in share premium related to the costs of the share exchange. During the nine months ended 30 September 2006, a total of 1,768,030 warrants were exercised. The exercise of these warrants were recorded as a decrease in “Contributed Surplus” in the Equity Shareholders’ Funds section and an addition to the share premium related to the fair value that was previously recorded for the warrants.

## **(d) Goodwill**

Under UK GAAP amortization 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.

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Under CDN GAAP, the accounting treatment given the Mortbury share exchange would have resulted in no goodwill being recorded. Accordingly, there is no adjustment required relating to goodwill or amortisation of goodwill under UK GAAP or CDN GAAP.

## (e) Cash and Cash Equivalents

Under UK GAAP, cash at bank includes cash in hand and bank deposits repayable within 24 hours without penalty. All other bank deposits are included in short-term deposits. For purposes of the cash flow statement, management of liquid resources includes movements in short term deposits which do not fall within the definition of cash at bank.

Under CDN GAAP, cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Accordingly, there is no adjustment in the cashflow for management of liquid resources as the Company's short term investments have maturities less than three months and movements in short term deposits fall into the definition of cash at bank.

## (f) Cash Flow Statement

The format of the UK GAAP cash flow statement differs from that of the CDN GAAP cash flow statement. Under UK GAAP, interest paid and received is reported in a separate cash flow category called "Return on investment and servicing of finance." In addition, under the UK GAAP cash flow statement there is a separate section for "Acquisitions". Finally, under UK GAAP, movements in short-term investments are not included in cash but classified as "Management of Liquid Resources." Under CDN GAAP, short-term investments with a maturity of three months or less at the date of acquisition are included in cash.

## (g) Foreign Exchange Data and Foreign Currency Translation

All amounts included in this 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.

	Three Months ended 30 September		Nine months ended 30 September	
	2006	2005	2006	2005
Low for the period	2.0389	2.0546	1.9806	2.0546
High for the period	2.1523	2.1882	2.1523	2.4032
Rate at the end of period	2.0874	2.0546	2.0874	2.0546
Average rate for period	2.1008	2.1433	2.0583	2.2571

Under UK GAAP, Mortbury and its subsidiaries, Matsitama Minerals (Proprietary) Limited ("Matsitama") and Messina Copper (Botswana) (Proprietary) Limited ("Messina") are considered self-sustaining foreign subsidiaries. Accordingly, all assets and liabilities are translated into Sterling at the exchange rate prevailing at the balance sheet date and revenues and expenses at the exchange rate prevailing when the transaction occurred with the resulting differences reflected in Reserves. Under CDN GAAP, Mortbury is considered the parent company and African Copper, Matsitama and Messina are considered integrated foreign subsidiaries. Accordingly, monetary assets and liabilities are translated using the exchange rate prevailing at the balance sheet date, non-monetary assets and liabilities are translated at historical exchange rates and revenues and expenses are translated at the exchange rate prevailing when the transactions occurred, with the resulting differences reflected in the determination of net income for the period.

Effective 1 January 2004, Mortbury changed its reporting currency from U.S. dollars to Sterling. As required by CDN GAAP Emerging Issues Committee Release 130, all assets and liabilities of Mortbury would be translated from U.S. dollars to Sterling at the rate of exchange in effect at that date, with any resulting gain or loss being charged as a separate component of Shareholders' Equity.

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## (h) Share Based Compensation

Under UK GAAP, the fair value of share options issued are included in the Equity Shareholders' Funds as an Other Reserve. Under CDN GAAP, the fair value of share options issued are also included in the Shareholders' Equity Funds but included under the Contributed Surplus category.

Under UK GAAP, the 450,000 Mortbury options issued at 35p granted by the Company as part of the Mortbury acquisition were dealt with as part of the acquisition accounting of Mortbury. Under CDN GAAP, these options represent a grant to employees and their fair value was calculated using the Black Scholes option pricing model and accounted for in the Share Premium account as a cost of issue.

## (i) Summary of GAAP Differences

The following table summarizes the components of the significant differences between UK GAAP and CDN GAAP:

	30 September 2006 £	30 September 2005 £
<b>(i) Goodwill</b>		
Goodwill costs following UK GAAP	8,684,180	8,684,180
Less: goodwill arising on Mortbury acquisition not recorded under CDN GAAP	(5,439,808)	(5,439,808)
Less: goodwill arising on purchase of Mortbury preference share not recorded under CDN GAAP	(3,244,372)	(3,244,372)
<b>Goodwill following CDN GAAP</b>	-	-
<b>(ii) Deferred exploration costs</b>		
	30 September 2006 £	30 September 2005 £
Deferred exploration costs following UK GAAP	12,033,294	5,081,844
Add: increase in value due to foreign exchange rate at 31 December 2003 compared to 26 May 2004 under CDN GAAP	51,470	51,470
Add: elimination of UK GAAP foreign exchange effect on non-monetary asset	2,208,137	3,192
<b>Deferred exploration costs following CDN GAAP</b>	14,292,901	5,136,506
<b>(iii) Share capital</b>		
Share capital following UK GAAP	1,298,012	520,332
Less: share capital on Mortbury acquisition shares not recorded under CDN GAAP	(206,500)	(206,500)
Add: share capital on Mortbury acquisition shares recorded under CDN GAAP	166,500	166,500
Add: share capital issued in lieu of fee payable for assistance in the acquisition of Mortbury recorded under CDN GAAP	40,000	40,000
<b>Share capital following CDN GAAP</b>	1,298,012	520,332

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Notes to the unaudited consolidated financial information for the three and nine month periods ended 30 September 2006

<b>(iv) Share premium</b>		
Share premium following UK GAAP	69,353,581	16,157,506
Add: share premium on Mortbury acquisition recorded under CDN GAAP	1,702,537	1,702,537
Add: share premium on purchase of Mortbury preference share recorded under CDN GAAP	2,945,957	2,945,957
Less: related cash costs of issue under CDN GAAP	(71,000)	(71,000)
Less: related share costs of issue under CDN GAAP	(40,000)	(40,000)
Less: allocation of fair value of 1,700,000 Mortbury options and 499,872 underwriters options issued and recorded under CDN GAAP	(504,718)	(504,718)
Less: allocation of fair value of 2,836,182 warrants issued in private placement under CDN GAAP	(91,546)	(91,546)
Less: allocation of fair value of 2,502,045 warrants issued and recorded under CDN GAAP	(878,995)	(878,995)
Add: value of warrants exercised during 2005 and 2006 under CDN GAAP	722,442	22,099
Add: value of share options exercised during second quarter 2006	239,918	-
<b>Share premium following CDN GAAP</b>	<b>73,378,176</b>	<b>19,241,840</b>
<b>(v) Merger reserve</b>		
Merger reserve following UK GAAP	8,606,461	8,606,461
Less: premium on issue on Mortbury acquisition shares not recorded under CDN GAAP	(8,606,461)	(8,606,461)
<b>Merger reserve following CDN GAAP</b>	<b>-</b>	<b>-</b>
<b>(vi) Other reserve</b>	<b>30 September 2006</b>	<b>30 September 2005</b>
	<b>£</b>	<b>£</b>
Other reserve following UK GAAP	2,139,530	1,148,942
Less: reallocation of fair value of share options recorded as Contributed Surplus under CDN GAAP	(2,139,530)	(1,148,942)
<b>Other reserve following CDN GAAP</b>	<b>-</b>	<b>-</b>
<b>(vii) Contributed surplus</b>		
Contributed surplus following UK GAAP	-	-
Add: reallocation of fair value of share options recorded as Other Reserve under UK GAAP	2,139,530	1,148,942
Add: fair value of 499,872 underwriters options issued and recorded under CDN GAAP	123,968	123,968
Add: fair value of 450,000 Mortbury options issued and recorded under CDN GAAP	68,750	68,750
Add: allocation of fair value of 2,502,045 warrants issued and recorded under CDN GAAP	878,995	878,995
Add: allocation of fair value of 2,836,182 warrants issued in private placement under CDN GAAP	91,546	91,546
Less: value of warrants exercised under CDN GAAP	(722,443)	(22,099)
Less: value of share options exercised under CDN GAAP	(239,918)	-
<b>Contributed surplus following CDN GAAP</b>	<b>2,340,428</b>	<b>2,290,103</b>

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## (viii) Profit and loss account

Profit and loss account following UK GAAP	<b>(4,051,639)</b>	(1,300,176)
Less: opening accumulated loss of Mortbury recorded under CDN GAAP	<b>(897,326)</b>	(897,326)
Add: elimination of UK GAAP foreign exchange effect on non-monetary asset	<b>2,208,137</b>	3,192
Less: premium on redemption of preference share recorded under CDN GAAP	<b>(3,244,372)</b>	(3,244,372)
Less: Loss of Mortbury for the period from 1 January 2004 to 26 May 2004 recorded under CDN GAAP	<b>(138,090)</b>	(138,090)
Add: Foreign currency gain for the period from 1 January 2004 to 26 May 2004 recorded under CDN GAAP	<b>28,046</b>	28,046
<b>Profit and loss account following CDN GAAP</b>	<b>(6,095,244)</b>	(5,548,726)

## (j) CDN GAAP Condensed Financial Statements

Had the financial statements been reported under CDN GAAP, the condensed consolidated balance sheets and profit and loss accounts would be reported as follows:

Consolidated Balance Sheets	30 September 2006 £	30 September 2005 £
Deferred exploration costs	14,292,901	5,136,506
Tangible assets	240,830	191,339
Current assets	58,367,763	12,610,595
Creditors	(1,980,121)	(1,434,890)
Net assets	70,921,373	16,503,550
Share capital	1,298,012	520,332
Share premium	73,378,176	19,241,840
Contributed surplus	2,340,428	2,290,103
Profit and loss account	(6,095,244)	(5,548,726)
	70,921,373	16,503,550

Profit and Loss Account	Three months ended 30 September		Nine months ended 30 September	
	2006	2005	2006	2005
	£	£	£	£
Net loss, as reported in accordance with UK GAAP	(679,851)	(214,329)	(579,168)	(644,845)
Net loss, as reported in accordance with CDN GAAP	(679,851)	(214,329)	(579,168)	(644,845)
Opening losses brought forward	(5,415,393)	(5,334,397)	(5,516,076)	(4,903,881)
Accumulated losses carried forward	(6,095,244)	(5,548,726)	(6,095,244)	(5,548,726)
Loss per ordinary share for the period	(0.53)p	(0.41)p	(0.69)p	(1.26)p

The differences arising between UK GAAP and CDN GAAP would have had no effect on the consolidated cash flow statement other than the differences in disclosure noted above.