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AIM and TSX: ACU
BSE: African Copper



MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended 31 December 2006

The following management discussion and analysis ("MD&A") of the operating results and financial condition of African Copper Plc ("African Copper" or the "Company") and its subsidiaries is for the year ended 31 December 2006 compared with 31 December 2005. The MD&A should be read in conjunction with the 31 December 2006 audited consolidated financial statements of the Company (the "Financial Statements") and the related notes thereto (the "Notes"). The Financial Statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS") (see Note 2: Principal Accounting Policies and Note 21: Transition to IFRS). The AIM Rules require conversion to IFRS for years commencing on or after 1 January 2007 but the directors considered that early adoption was appropriate. All amounts herein are expressed in British Pound Sterling unless otherwise indicated and the information is current to 23 March 2007.

Additional information relating to the Company, including the Company's Annual Information Form, is available at www.africancopper.com or SEDAR at www.sedar.com.

Mr. Joseph Hamilton, P.Geo., the Company's Chief Executive Officer and a "qualified person" as defined by Canadian National Instrument 43-101, has reviewed and approved the technical material contained herein.

Forward-Looking Statements

Except for historical information contained in this discussion and analysis relating to African Copper, certain disclosure statements and information contained herein constitute forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning mineral resource estimates, exploration and mine development plans, the future price of copper, cost estimates, timing of the development of the Company's projects in Botswana, exploration results, requirements for additional capital, the impact of exchange rates and the timing and possible outcome of pending and future regulatory applications and other statements which are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include risks related to failure to convert estimated mineral resources to reserves, the grade and recovery of ore which is mined varying from estimates, future prices of copper, capital and operating costs varying significantly from estimates, political risks arising from operating in Africa, uncertainties relating to the availability and costs and availability of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, uninsured risks and other risks involved in the mineral exploration and development industry. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

Business Overview and Strategy

The Company operates in the resource industry in southern Africa. The principal business of the Company is the exploration and development of copper deposits in the Republic of Botswana. The Company has two principal project assets, Dukwe and Matsitama, both located in the Matsitama Belt of Botswana.

The Company is incorporated in England and Wales with a listing on AIM and additional listings on the Toronto Stock Exchange (“**TSX**”) and the Botswana Stock Exchange (“**BSX**”). The ordinary shares of African Copper trade on AIM and the TSX under the symbol “ACU” and on the BSX under the symbol “African Copper”.

The Company’s strategy is to grow as a base metal (copper) mining company and to provide above average returns to shareholders. The Company’s most advanced project is the Dukwe Project. Past work has included extensive drilling and sampling and subsequent engineering and metallurgical test work. The Company also owns the 4,000 km² Matsitama Project, which lies adjacent to and south east of the Dukwe Project. Matsitama offers 10 drill-ready and highly prospective targets, including the Thakadu-Makala Project.

Performance

Dukwe Project

The key drivers that will impact the success of the Dukwe Project include the completion of the development plan on time and on budget, the expansion of the resource base, ready access to capital (if required), the building of a strong management team, managing the impact of exchange rates and the Company’s ability to take advantage of the strong industry fundamentals foreseen for the next few years.

The Company’s goal in fiscal 2006 was to complete the engineering studies for a combined underground/open pit mine with a dedicated flotation concentrator at Dukwe and to be in a position to commence construction of commercial facilities before the end of fiscal 2006. These goals were met, such that the Company’s goal for the Dukwe Project for fiscal 2007 is to execute the construction schedule on time and on budget and maximize the production potential of the Dukwe Project.

1. Development Update

During fiscal 2005, a feasibility study was completed on the proposed Dukwe oxide heap leach operation. Several factors, including the high strip ratio in the open pit, excessive acid consumption in the heap, cost escalation in mining, fuel, acid and explosives combined to render the open pit mining of the oxide deposit marginal at prices less than US\$1.30 per pound of copper. The board of directors of the Company (the “**Board**”) elected to defer making a decision regarding the development of the oxide deposit until sufficient engineering had been completed on the deeper sulphide underground portion of the Dukwe deposit.

Also during fiscal 2005, a major resource definition drilling programme comprised of metallurgical holes, twinned and scissor verification holes, and outline and infill holes was initiated to provide a resource estimate for the deeper sulphides. This programme was completed in mid-2006 and resource estimates were released in October 2006. See the Company’s press release dated 18 October 2006.

At the same time metallurgical testwork studies, including bench scale flotation batch tests and locked cycle tests, were commenced. They showed that the near surface supergene and transition material could be treated through a flotation concentrator. Since a flotation concentrator would also be needed for the underground sulphides, the Board elected to accelerate the detailed engineering of a flotation plant and concentrator in parallel with the sulphide drilling programme.

In early 2006, the Company collected over 4 tonnes of material to complete locked cycle tests and pilot plant studies for the final concentrator design. Recoveries through the mill and concentrator were found to be better than 90% for the primary sulphide material and 83% to 87% for the supergene material. Ore types are mixed and complex in the upper portions of the open pit in that they contain varying amounts of supergene and oxidized material. The Company intends to mine

and stockpile this material prior to commercial production and to judicially blend at the crusher to maximize overall recoveries through the concentrator.

In the third quarter of fiscal 2006, further flotation optimization tests confirmed that a marketable concentrate could be produced from the oxidized portions of the deposit. The distribution of copper from the resource estimates, coupled with the optimization of the flotation circuit, allowed the Company to start examining and optimizing an open pit design for initial mining. Optimization studies commenced during the fourth quarter of fiscal 2006.

Coincidentally with the open pit optimization study, the Company invited tenders for contract mining since open pit mining equipment is difficult to obtain in today's market. Three bids conformed to the tender, and one company was selected for further discussions.

The Company finalized the flow sheet and process plant design for the Dukwe Project during the third quarter of fiscal 2006 and the Board subsequently approved the commencement of construction of the Dukwe process plant. A construction camp was erected during the fourth quarter of fiscal 2006 at the Dukwe site and surface earthworks commenced. During the fourth quarter of fiscal 2006 the work focused on completing the access road, surface water control structures, plant terracing and commencing pipeline construction to the plant area.

In December 2006, the Company signed an Engineering, Procurement and Construction Management ("EPCM") contract for the construction of the Dukwe Project.

In December 2006, the Government of Botswana granted the Company's subsidiary a 25-year Mining Licence (the "Mining Licence") for the Dukwe Project. This approval followed previous approvals by the Government of the Environmental Impact Assessment ("EIA") and the Environmental Management Plan ("EMP"), the granting of Water Abstraction Rights and the issuance of a conditional Archaeological Discharge for the site. The issuance of the Mining Licence allowed the Company to commence the mine construction programme at the Dukwe Project.

2. Construction Activities

Construction activities commenced at Dukwe in October 2006. Surface works to date have included the stripping and stockpiling of top soil, the excavation and terracing of the mill and concentrator site, completion of surface water control structures, the completion of a 10 kilometre all-weather access road linking the site to the paved Francistown-Nata highway, completion of a 15 kilometre water pipeline linking the well field to the project site and the commencement of foundation excavations for the mill.

Equipment acquisition accelerated in late 2006. The Company has purchased primary, secondary and tertiary crushers that are currently undergoing refit in Johannesburg. An order for the ball mill was placed in June 2006 with an expected 14 month delivery and commissioning. By the end of the first quarter of fiscal 2007, the Company expects to have firm orders for over 80% of equipment and steel. The Company has accelerated the purchase of plant and equipment in an effort to minimize cost overruns.

Botswana Power Corporation continues to supervise the construction of a 19 kilometre power line to link the site to the national grid. Tenders were adjudicated and awarded in the fourth quarter of fiscal 2006, and construction of this line has commenced at the nearest substation. Power is expected to be available by the end of the third quarter of fiscal 2007. In the meantime, construction power will be provided by a generator, which will be used as a standby power supply during production.

The Company is finalizing contracts with a recognized mining contractor in connection with mining at the Dukwe Project. The Company expects to execute a contract mining agreement to allow for a fleet to mobilize in the second half of fiscal 2007. Upon the signing of this agreement, orders will be placed for mining trucks, shovels and ancillary equipment. Delivery is expected within 6 months of placing orders, and the Company expects to commence mining and stockpiling activities at Dukwe before the end of fiscal 2007.

3. Growing Resources

The Company has a large land position in a favourable geological setting, which is relatively under explored at depth and laterally. In 2006, the Company spent £2.5 million on confirmation drilling and further delineating and extending the mineralization in the Dukwe Project.

A 38,000 metre resource delineation drilling programme was completed during the first half of 2006 with respect to the sulphide ore underlying the open pit at Dukwe.

A twin hole drill programme was completed in July 2006 in order to test the historic grades encountered in the oxide and supergene zones of the deposit. The results of this twin hole programme showed that at least some of the historic drilling likely underestimated the grade of the near-surface mineralization at Dukwe. It was determined that the core recovered from the twin hole programme compared favourably with the historic drilling in terms of geology and width of mineralization. As a result, most of the historic database was considered to be valid and was integrated with the 38,000 metre sulphide drill programme and was utilized as part of a comprehensive resource estimate that was commissioned for the entire Dukwe resource to a depth of 550 metres below surface.

In October 2006 results of comprehensive mineral resource estimates completed by independent consultants RSG Global Consulting (“**RSG**”) and Caracle Creek International Consulting (“**CCIC**”) were released. RSG and CCIC used identical databases and geological interpretations as a starting point, but used differing methodologies to arrive at their final estimates. The use of two globally recognized independent consultants each applying differing methodologies added confidence in allowing the Company to finalize the resource base available to support an extended mine life at Dukwe and showed that a sufficient amount of material existed as indicated resources within proximity of surface that an open-pit mining option could be considered.

For further information on these resource estimates, please refer to the technical reports of RSG and CCIC, copies of which can be obtained from SEDAR at www.sedar.com. RSG’s technical report is dated 1 December 2006 and entitled “Database Review, Geological Modelling and Grade Estimation of the Dukwe Copper Project” and CCIC’s technical report is dated December 2006 and entitled “Dukwe Copper Mine: Resource Report”.

The Company has completed further drilling in the vicinity of the open pit since these resource estimates were completed. Once final assays and Quality Control results have been reviewed the Company will provide a new estimate of resources available for both open pit and underground mining.

During the fourth quarter of 2006 the Company completed compilation and TITAN geophysical surveys over the 30 kilometre strike extent of the structure that hosts copper mineralization at the Dukwe deposit. Sulphide mineralization at Dukwe is known to continue to the north and south of the deposit at depth. Delineation of these resources has been integrated into the development plan for the entire deposit and the results of this survey will form the base for follow-up exploration and delineation drilling during 2007. A number of gold and copper targets have been generated to the south of the Dukwe deposit. Further geochemical surveys are scheduled to be completed in first quarter of 2007 followed by exploration drill programmes in second quarter of 2007.

4. Financing Activities

On 5 June 2006 the Company completed a public offering of 75 million ordinary shares, raising £52.9 million, net of expenses.

5. Building a Management Team

Building a new mining company is all about putting together a highly skilled, focused work force that is results orientated. During 2006, as the Company moved towards production at the Dukwe Project, it made a number of key management appointments which will have a beneficial impact on aiding this development.

On 9 January 2007, in a planned succession, David Jones, CEO and a co-founder of the Company, was appointed Non-Executive Deputy Chairman and Joseph Hamilton, the Company's then current COO, was appointed CEO. Additionally the Company appointed Chris Fredericks as COO. Mr. Fredericks brings a solid operating background to the management of African Copper with over 27 years experience in base metal mining and exploration from varied exposure to large-scale open pit and underground mining operations on the Zambian Copperbelt and in Botswana. Mr. Fredericks was the General Manager of the LionOre Mining International's Tati Nickel mine in Botswana until late 2005 and for the past year has been involved in business development for LionOre in Southern Africa while remaining a director of the Tati Nickel Mining Company.

The technical and operational team in Botswana has grown from 4 at the end of 2005 to 22 at the end of 2006.

6. Managing the Impact of Exchange Rates

The Company holds and transacts business in multiple currencies, the most significant of which are British Pounds Sterling ("**Sterling**"), Botswana Pula ("**Pula**"), South African Rand ("**Rand**"), Canadian Dollar and US Dollar. As a result, the Company has exposure with respect to items denominated in foreign currencies.

The Pula is considered the functional currency for the Company's Botswana subsidiaries. Accordingly, assets and liabilities are translated into Sterling using the exchange rates in effect at the balance sheet dates. Translation gains and losses are included in a separate component of shareholders' equity. During 2006 the foreign exchange translation loss recognized in shareholders' equity was £1.67 million compared to the translation loss of £0.31 million in 2005.

The Company also has foreign currency exposure with respect to items denominated in foreign currencies. The Company's net monetary asset and liability positions are translated into Sterling at each balance sheet date. Fluctuations in the value of Sterling relative to these other currencies impacted the Company's reported net loss. The foreign exchange loss recognized in the Income Statement in 2006 related primarily to the foreign currency translation losses on currency holdings of Canadian dollars and Rand. Approximately £2 million of this loss resulted from exchange rate movements between the Canadian Dollar and Sterling and £39,000 resulted from exchange rate movements between Rand and Sterling.

Of the 75 million ordinary shares issued in the public offering completed in June 2006, a total of 40.625 million ordinary shares were priced in Canadian dollars (at C\$1.60 per ordinary share). As a result of such offering, the Company raised \$65 million Canadian dollars, of which it held C\$37.4 million at 31 December 2006 and C\$10 million at 1 March 2007. In June 2006, it was anticipated that mining and other project costs would be denominated in US dollars. Funds raised through the June 2006 offering were maintained in Canadian dollars as a hedge against these costs. Late in 2006, after negotiating the EPCM contract and commencing discussions with the mining contractor, it was determined that a significant portion of the future mining and other construction expenditures for the Dukwe Project would be denominated in Pula and Rand with the US dollar expenditures significantly lower than anticipated. Immediately following the negotiation of the EPCM contract, the Company began to convert Canadian dollars into Rand in anticipation of these future expenditures. At the same time, the Company began to lock in costs for mining equipment in an effort to minimize cost inflation. At 31 December 2006, the Company held Rand denominated investments of ZAR 100 million.

Had the Company converted to Rand in June 2006 instead of holding the funds in Canadian dollars, the rates of exchange would not have been materially different to what the Company has realized by converting to Rand in late 2006 and early 2007. The average Canadian dollar to Rand exchange rate for June 2006 was approximately 6.27. Of the C\$43.6 million exchanged to Rand up to 1 March 2007 the Company has realized a Canadian dollar to Rand exchange rate of 6.21.

7. The Strong Copper Price Environment

One of the most significant factors affecting the Company's future performance is the price of copper which in turn is affected by the supply/demand for copper. The market has experienced

higher prices for copper in recent years as a result of changes in the worldwide balance of copper supply and demand, largely resulting from economic growth and political conditions in China and other major developing economies. Any material decrease in the prevailing price of copper for any significant period of time would have an adverse and material impact on the economic viability of the Dukwe Project.

8. Sulphide mineralization - Plans for 2007

The focus in 2007 will be the development of a plan for the production and expansion of the sulphide mineralization. Comprehensive metallurgical programmes with respect to the underlying sulphide material will continue in 2007 and the Company expects to be able to release a development schedule for these underground resources later in the year.

Matsitama Project

The Matsitama Prospecting Licences cover a very large area, some 4,000 km² of highly prospective mineral holdings. These licences are contiguous with the Dukwe deposit discussed above. Work during 2005 concentrated on the compilation and interpretation of a large geochemical, geophysical and drill database that had been assembled over the previous 40 years of exploration on the belt.

In 2006, the Company established an exploration base camp and initiated a 10,000 metre delineation drill programme at the Thakadu deposits. The drilling was confined to depths that could be accessed by open-pit methods although the deposits are known to continue to depth. This drilling programme was completed in 2006, and final assays are expected in the first quarter of 2007. In 2006, £1.6 million was spent on exploration. The geological mapping of drill core from Thakadu has led to new geological interpretations of the area. Several unexplored geochemical anomalies have now become higher priority exploration targets.

The Thakadu deposits represent an advanced exploration project that might develop into a mining project in its own right or, alternatively, as a complementary project running either in parallel or in series with the Dukwe Project. A preliminary economic assessment of the capital costs required to bring the Thakadu deposits to production indicate that another deposit of similar size and grade is required in the immediate area in order to justify the construction of a stand-alone plant. Exploration efforts will be focused on the unexplored geophysical and geochemical anomalies within 5 kilometres of the Thakadu deposits.

The Matsitama Project has a wealth of systematic multidisciplinary exploration data that indicate substantial areas of highly prospective terrain especially for sediment-hosted copper and zinc deposits. Recent compilation work by the Company has brought several prospects outside of the Dukwe and Thakadu-Makala deposits to the forefront as locations deserving substantial exploration efforts. These areas include:

- Thakadu-Makala-Dihudi-Mutsuku trend
- Tholo-Lepashe-Tau
- Nakalakwana

Recent compilation work by African Copper in the Nakalakwana area has shown a relationship between copper and gold in historic drilling work. A preliminary 1,700 metre drill programme will commence in the first quarter of 2007 to test geological interpretations of the area. In addition, an extensive TITAN geophysical survey will be completed over the substantial potassium radiometric anomaly that occurs in this area. This survey is on-going and has generated a number of high-priority anomalies that will be drill tested in 2007. The exploration budget for Matsitama is anticipated to be £2 million.

Additional information with respect to the Matsitama Project is contained in a technical report dated 30 March 2006 and entitled "Technical Report on the Dukwe Copper Project and Matsitama Prospecting Licences, Botswana Africa", a copy of which can be obtained from SEDAR at www.sedar.com.

Critical Accounting Estimates

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and

liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Significant estimates and assumptions include those related to the recoverability of mineral properties, estimated useful lives of capital assets, stock compensation valuation assumptions and determination as to whether costs are expensed or deferred. While management believes that these estimates and assumptions are reasonable, actual result could vary significantly. A summary of the critical account estimates is listed below.

Resource Properties, Deferred Exploration and Development Costs

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Upon demonstration of the technical and commercial feasibility of a project, any past deferred exploration and evaluation costs related to that project will be reclassified as mine development and infrastructure.

Capitalised deferred exploration expenditures are reviewed for impairment losses at each balance sheet date. In the case of undeveloped properties, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property. The Company may periodically revise its valuation based on additional exploration results and determine that the carrying value of the property on the balance sheet is impaired. When such a change in estimate is made, there may be a material effect on the balance sheet and income statement.

Based on the fact that the Board approved development of the Dukwe Project in September 2006 the deferred exploration costs incurred to date on Dukwe were reclassified as mine development and infrastructure costs. Dukwe mine development and infrastructure costs comprise the largest component of the Company's non-current assets and as such the evaluation of impairment of these assets has a significant effect on the Company's financial statements. The assessment of the carrying value involves the study of geological and economic data (including resource estimates) and the reliance on a number of assumptions. These estimates of resources may change based on additional knowledge gained subsequent to the assessment. This may include additional data available from the continued development activities of the Dukwe Project, actual production data when available or the impact of economic factors such as changes in the price of copper or the cost of construction and development costs or the cost of components of production.

Asset Retirement Obligations

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At 31 December 2006, the Company has not incurred or committed any asset retirement obligations related to the development of its Dukwe and Matsitama Projects (collectively, the "**Projects**").

Share Based Payments

In 2005, the Company elected to comply with UK GAAP requirements, "Share Based Payments" with effect from the Company's date of incorporation 11 February 2004. This continues under IFRS. The Company is required to charge the profit and loss account with the fair value of the options issued. This calculated charge amount is not based on historical cost, but is derived based on assumptions input into an option pricing model. The model requires that management make several assumptions as to future events, including: an estimate of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value of which the holder of the option could receive in an arm's length transaction, given there is no market for the options and they are not transferable. The value derived from the option pricing model is highly subjective and dependent entirely upon the input assumptions made. The fair value of the option is either expensed or capitalized as a deferred exploration cost depending on the nature of the grant.

Overall Financial Performance

The Company recorded a net loss for 2006 of £2,100,884 (2.20p), compared with £612,206 (1.19p) in 2005. The increased loss reflects higher stock based compensation costs and foreign exchange losses. These increases were partially offset by increased interest income of £1,645,501 compared with £529,623 in 2005. The increase in interest income during 2006 can be attributed to an increase in average cash and short term deposit balances during 2006 resulting from the June 2006 offering of 75 million ordinary shares which raised gross proceeds of £58 million and the additional funds of £1.4 million received during 2006 from the exercise of warrants.

At 31 December 2006 the Company had working capital of £52.0 million compared to £9.0 million at 31 December 2005.

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Bank interest receivable	(1,645,501)	(529,623)
Corporate general and administration	168,487	152,157
Insurance	55,719	39,782
Directors fees	55,975	55,150
Listing on Botswana and Toronto Stock Exchanges	-	113,879
Consultants, salaries and benefits	295,306	233,540
Shareholder communication and public company administration	97,892	87,400
Travel, accommodation, analyst trip and conferences	94,657	133,639
Professional fees	251,201	185,166
Share based compensation	562,199	120,277
	1,581,436	1,120,990
Foreign exchange	2,103,070	3,898
Tax	61,880	16,941
Net loss	2,100,884	612,206

During 2006, the Company incurred a total of £168,487 for corporate general and administration expenses compared to £152,157 in 2005. Costs increased due primarily to administration required to support the public offering completed in June 2006, expansion of activities in Botswana, increased regulatory and reporting obligations in reporting on TSX for the full year in 2006.

Insurance expense for 2006 increased to £55,719, compared to £39,782 in 2005. The higher insurance cost this year relates to increases in Directors and Officers insurance coverage as a result of the completion of the public offering in June 2006.

Consultants, salaries and management compensation increased to £295,306 from £233,540 in 2005 as a result of the addition of new staff and the cost of existing staff for a full year in 2006. Salaries and management compensation are either expensed to the profit and loss account or capitalized to deferred exploration depending on the nature of work performed. In 2006, a total of £376,293 of consultants, salaries and management compensation was capitalized to deferred exploration compared to £318,745 in 2005.

Shareholder communication and public company administration costs increased to £97,892 compared with £87,400 in 2005 as a result of a full year of costs of reporting under TSX and Canadian securities regulations. The Company obtained the listing of its ordinary shares on the TSX in June 2005.

Travel, accommodation, analyst trip and conference costs decreased to £94,657 compared to £133,639 in 2005. Travel and accommodation costs were lower during 2006 due to the reclassification of a portion of travel costs. A total of £61,246 of direct travel costs incurred by the Company and its underwriters in completing the public offering that closed in June 2006 were re-allocated to the share premium as a cost of completing such offering. Travel and investor relations costs are anticipated to increase in 2007 as the Company intends to expand its investor relations programme by hiring an investor relations executive.

Professional fees increased from £185,166 in 2005 to £251,201 in 2006 as a result of increased audit, legal, bank mandate and other consulting fees. Consulting costs primarily related to assistance provided for the conversion to IFRS and executive search fees.

Share based compensation expenses of £562,199 (2005: £120,277) are non-cash expenses and reflect the derived value of stock options granted during the year. An additional amount of £429,443 (2005: £388,048) was recorded as a non-cash expenditure to deferred exploration costs as the grant of options was made to personnel whose compensation is capitalized to the relevant deferred exploration property. The higher expense in 2006 reflects the issuance of 8.7 million options granted during the year compared to 2.3 million granted in 2005. The significant increase in option grants reflects the issuance of options to new hires in Botswana as part of building the required management team to accommodate the Company's growth, as well as a modification to the Company's compensation programme that seeks to ensure that existing senior and middle management teams' goals and objectives are aligned with shareholders. The fair value of stock options when granted are amortized to the Income Statement over the period in which the options vest.

During 2006, the Company recorded a foreign exchange loss of £2.1 million compared to a loss of approximately £4,000 in 2005. The 2006 loss related primarily to the foreign currency translation losses on currency holdings of Canadian Dollars and Rand. Approximately £2 million of this loss resulted from exchange rate movements between the Canadian dollar and Sterling and approximately £39,000 resulted from exchange rate movements between the Rand and Sterling. Please see "Managing the Impact of Exchange Rates under Performance – Dukwe Project" in this MD&A for a detailed description of the 2006 loss.

Loss for the fourth quarter of fiscal 2006 was £1,521,716 (1.17p per share) versus a gain of £32,638 (0.06p per share) in the fourth quarter of fiscal 2005. The following table provides an analysis of the comparison of the two periods:

	Three months Ended 31 December 2006 £	Three months Ended 31 December 2005 £
Net gain/(loss)	(1,521,716)	32,638*
Add: Q4 2005 share based compensation expenses as restated	-	(105,304)
Net loss	(1,521,716)	(72,666)
Add: Interest income	(653,176)	(111,072)
Add: Salary costs capitalized to deferred exploration	(40,704)	(148,661)
Add: Travel costs capitalized to deferred exploration	(23,537)	(41,354)
Less: Foreign exchange loss	1,806,194	3,898
Less: Share based payments expensed as per adoption of UK GAAP Share Based Compensation	105,396	120,277
Adjusted net loss for comparison purposes	(327,543)	(249,578)

The above table adjusts the fourth quarter financial results for the effects of interest income, salary and travel cost capitalized to deferred exploration, foreign exchange losses, and expenses relating to the adoption of share based payment costs under UK GAAP. The adjusted net loss was higher in fourth quarter of 2006 compared to the same quarter in 2005. Higher consultant and professional fees, along with higher administration costs caused the increase.

The increase in interest income the fourth quarter of 2006 can be attributed to an increase in average cash and short-term deposit balances during the period compared to the previous year's comparable quarter. The higher foreign exchange loss in the fourth quarter of 2006 was the result of foreign currency translation losses on currency holdings of Canadian Dollars and Rand. Please see "Managing the Impact of Exchange Rates" under "Performance – Dukwe Project" in this MD&A for a detailed description of the nature of the 2006 loss.

* At 31 December 2005 the Company elected to adopt under UK GAAP "Share Based Payments", with effect from 11 February 2004 (date of incorporation), which represented early adoption of this standard

and a change in accounting policy. The effect of this change in accounting policy was to increase the loss after tax for the three months ended 31 December 2005 by £105,304.

Investment in Deferred Exploration and Development

The Company capitalizes all exploration and evaluation in Botswana related to each of the Dukwe and Matsitama Projects pending determination of the technical feasibility and commercial viability of the project. Upon demonstration of the technical and commercial feasibility of a project, any past deferred exploration and evaluation costs related to that project are reclassified as property, plant and equipment. The Company invested approximately £9.0 in the Projects during fiscal 2006, compared with £4.8 million during fiscal 2005.

Dukwe Project - Expenditures

The Company incurred the following deferred exploration expenditures:

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Opening balance	6,878	2,186
Drilling and assay	2,083	2,678
Geological and geophysical	150	124
Detailed engineering	1,270	1,150
Government permitting	33	44
Administration	455	312
Depreciation capitalized	57	42
Road Upgrade	277	4
Supply of electricity	73	214
Plant and equipment	74	41
Share based compensation	434	388
Exploration	28	
Foreign exchange	(1,148)	(315)
Reclassification to mining development and infrastructure	(10,395)	-
Reclassification to mining plant and equipment	(241)	0
Ending balance	28	6,878

Deferred Exploration:

During the first nine months of fiscal 2006, exploration and detailed engineering expenditures continued as the Company focused its efforts on determining the commercial feasibility of the Dukwe Project. As a result of the Board's approval of the commencement of production at the Dukwe Project in September 2006, pursuant to the Company's accounting policy, all past deferred exploration costs related to the area under the Dukwe mining licence were reclassified. A total of £10.6 million was reclassified from deferred exploration to property, plant and equipment. A balance of £27,639 remained in deferred exploration relating to expenditures on work performed on the Dukwe prospecting licence area.

For the year ended 31 December 2006, exploration and mine development expenditures increased as the Company focused on growing the Dukwe resource base and completing the development and operational plans to construct a mine at Dukwe.

Dukwe Mining Development and Infrastructure and Mine Plant and Equipment

Construction activities commenced at Dukwe in October 2006. A total of approximately £387,000 (£146,000 spent during the fourth quarter of 2006) was spent on equipment acquisition. Primary, secondary and tertiary crushers were secured in the fourth quarter of 2006 and an order for the ball mill was placed in June 2006 with an expected 14 month delivery and commissioning. By the end of the first quarter of 2007, the Company expects to have firm orders for over 80% of equipment and steel in an effort to manage cost escalation.

A total of £2.8 million was spent during the fourth quarter of 2006 on the commencement of surface works and the EPCM contract. The Company concentrated its expenditures during the fourth quarter of 2006 on drilling, surface water control structures, plant terracing, constructing a power line to the water bore field and commencing pipeline construction to the plant area.

Matsitama Project - Expenditures

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Beginning Balance	281	144
Exploration:		
Drilling	852	21
Assay	10	1
Geological	-	76
Geophysical	209	-
Site management and logging	631	-
Depreciation capitalized	17	-
Administration	35	37
Government permitting	3	2
Foreign exchange	(59)	-
Ending balance	1,979	281

For the year ended 31 December 2006, exploration expenditures increased as the Company focused on establishing an exploration base camp and completing a 10,000 metre delineation drill programme at the Thakadu deposits. This drilling programme was completed in 2006, and final assays are expected in the first quarter of 2007.

A preliminary economic assessment was completed during the year of the capital costs required to bring the Thakadu deposits to production. The results indicated that another deposit of similar size and grade is required in the immediate area in order to justify the construction of a stand-alone plant. Exploration efforts in 2007 will be focused on the unexplored geophysical and geochemical anomalies within 5 kilometres of the Thakadu deposits.

During the fourth quarter of fiscal 2006 the Company commenced a large TITAN geophysical survey over a number of high priority areas at the Matsitama Project. This survey is expected to be complete in the first quarter of 2007 and has generated a number of high-priority anomalies that will be drill tested in 2007. The exploration budget for Matsitama in 2007 is £2 million.

One particular area of interest is the Nakalakwana area which has a substantial potassium radiometric anomaly. Compilation work completed in 2006 regarding this Nakalakwana area has shown a relationship between copper and gold in historic drilling work. A preliminary 1,700 metre drill programme will commence in the first quarter of 2007 to test geological interpretations of the area.

Summary of Annual Results

The Company was incorporated on 11 February 2004. The Company's reporting currency is Sterling. The Company's subsidiary measurement currencies include: Mortbury (Sterling), Messina Copper (Botswana) (Proprietary) Limited (Pula) and Matsitama Minerals (Proprietary) Limited (Pula). The following table sets out selected annual information on the Company, which data has been prepared in accordance with applicable IFRS:

	Year ended 31 December 2006 (audited) (£)	Year ended 31 December 2005 (audited) (£)	Period from 11 February 2004 to 31 December 2004 (audited) (as restated)* (£)
Interest Income	(1,645,501)	(529,623)	(83,483)
Operating expenses	3,684,505	1,124,887	735,622
Loss before tax	2,039,004	595,264	652,139
Loss after tax	2,100,884	612,206	652,139
Basic loss per ordinary share	2.20p	1.19p	3.07p
Diluted loss per ordinary share	2.20p	1.19p	3.07p
Total assets	69,872,753	18,181,762	15,928,541
Total liabilities	(1,905,251)	(1,912,530)	(261,452)
Shareholders' equity	67,967,502	16,269,232	15,667,089

* In 2005, the Company elected to comply with UK GAAP "Share Based Payments" with effect from the Company's date of incorporation 11 February 2004.

The higher loss in fiscal 2006 compared to fiscal 2005 relates primarily to higher foreign exchange losses and share based compensation charges. These increased charges were partially offset by increased interest income earned in fiscal 2006 as a result of higher average cash balances. Please see "Overall Financial Performance" in this MD&A for a detailed description of the fiscal 2006 loss compared to the fiscal 2005 loss.

Fiscal 2005 was the first year of normal operations for the Company due to the fact that prior to November 2004 it had limited financial resources to pursue its business plan. During 2004, the Company remained largely inactive prior to completing its initial public offering in November 2004.

Summary of Quarterly Results

The following table sets out selected financial data on the Company for the most recently completed eight quarters, which data has been prepared in accordance with applicable IFRS:

	Q4 31 Dec. 2006 (£)	Q3 30 Sept. 2006 (£)	Q2 30 June 2006 (£)	Q1 31 March 2006 (£)
Interest revenues	(653,176)	(660,398)	(239,461)	(92,466)
Net loss /(gain)after tax	1,521,716	679,851	(254,523)	153,840
Basic loss per ordinary share	1.17p	0.53p	(0.36p)	0.30p
Diluted loss per ordinary share	1.17p	0.53p	(0.36p)	0.30p

	Q4 31 Dec. 2005* (£)	Q3 30 Sept. 2005* (£)	Q2 30 June 2005* (£)	Q1 31 March 2005* (£)
Interest revenues	(111,072)	(154,409)	(136,649)	(127,493)
Net loss /(gain)after tax	(32,638)	214,329	229,874	200,641
Basic loss per ordinary share	0.06p	0.41p	0.44p	0.40p
Diluted loss per ordinary share	0.06p	0.41p	0.44p	0.40p

Please review the discussion under the heading “Overall Financial Performance” in this MD&A for an explanation of the financial results and exchange gains/losses and related period-to-period changes for the three and twelve-month periods ended 31 December 2006.

Fluctuations in the Company’s expenditures reflect increases in administrative costs and professional fees associated with seasonal corporate filing and regulatory activities. Specifically, the increased costs related to the preparation of year-end audit files and annual meeting materials, as well as the impact of year-end audit adjustments to financial statements. In the quarter ended 31 December 2005 a total of £148,661 consultant costs and £41,354 travel costs were reclassified to deferred exploration based on the nature of the activities performed. In addition, it should be noted that fiscal 2005 was the first year of normal operations for the Company due to the fact that prior to November 2004 it had limited financial resources to pursue its business plan. During 2004, the Company remained largely inactive prior to completing its initial public offering in November 2004.

** At 31 December 2005 the Company elected to adopt the UK GAAP “Share Based Payments” reporting standard, with effect from 11 February 2004 (date of incorporation), which represented early adoption of this standard and a change in accounting policy. The effect of this change in accounting policy increased the loss after tax for the three months ended 31 March 2005 by £32,779, increased the net assets of the Company by £98,338, increased the loss after tax for the three months ended 30 June 2005 by £39,335, increased the net assets of the Company by £118,006, increased the loss after tax for the three months ended 30 September 2005 by £36,382, increased the net assets of the Company by £83,802, decreased the loss after tax for the three months ended 31 December 2005 by £105,304 and decreased the net assets of the Company by £300,146.*

Liquidity and Capital Resources

The Company’s only sources of liquidity until the Dukwe Project reaches commercial production are its current cash balances, possible exercise of share options and warrants, project finance alternatives and the equity markets. As at 31 December 2006, the Company had cash (net of liabilities) of approximately £51.4 million. The Company estimates that as at 31 December 2006 the remaining cost to complete the establishment of commercial production at the Dukwe Project was £45.6 million. Therefore, the Company believes that it has sufficient working capital. At this time, the Board believes that potential future cash flow from future operations at the Dukwe Project coupled with currently 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 Company had working capital of £52.0 million at 31 December 2006 compared to £ 9.0 million at 31 December 2005. The increase in working capital at 31 December 2006 was the result of the June 2006 public offering that included the sale of 34,375,000 ordinary shares of the Company and 40,625,000 subscription receipts of the Company raising a total of £52.9 million net of expenses. Each subscription receipt was converted into one ordinary share upon shareholder approval which was received at the Company’s Extraordinary General Meeting held on 5 June 2006.

During the year ended 31 December 2006, a total of £1,298,887 was generated from the exercise of 2,474,030 warrants to purchase ordinary shares at 52.5p. An additional £145,366 was generated from the exercise of 900,000 share options to purchase ordinary shares at C\$0.25 and 100,000 share options at 35p. These share options were originally granted under the Mortbury Limited option plan.

At 23 March 2007 outstanding share options represented a total of 13,319,872 ordinary shares issuable for maximum aggregate proceeds of ££9,919,993 if and when exercised.

Contractual Obligations

The Company has entered into a number of agreements with arm’s length third parties who provide a wide range of services and equipment to the Company and its subsidiaries. The majority of the Company’s contractual obligations relate to commitments in respect of development expenditures at the Dukwe Project. At 31 December 2006, commitments under such agreements total £11.7 million:

	Total	2007	2008	2009
	£	£	£	£
Contractual Obligations				
Long Term Debt	-	-	-	-
Operating Lease Obligations	156,469	112,762	31,556	12,151
Purchase Obligation	10,853,417	10,853,417	-	-
Other Long Term Obligation	-	-	-	-
Total Contractual Obligations	11,009,886	10,966,179	31,556	12,151

The Company's wholly-owned subsidiaries, Messina Copper (Botswana) (Proprietary) Limited and Matsitama Minerals (Proprietary) Limited, are obliged to incur certain minimum expenditures in respect of their prospecting and retention licences and the Dukwe Project mining licence. Below is a summary of this expenditure commitment as set out in the original licences:

Licence Number	Duration	2007¹	2008¹	2009¹
		£	£	£
Matsitama				
14/2004 (2)	April 2004-March 2007	51,161	-	-
15/2004 (2)	April 2004-March 2007	51,161	-	-
16/2004 (2)	April 2004-March 2007	51,161	-	-
17/2004 (2)	April 2004-March 2007	51,161	-	-
01/2005	Jan. 2005-Dec. 2007	22,562	-	-
Dukwe				
2006/53L	25 year mining licence	95	95	95
33/2005	July 2005-September 2008	54,912	54,912	54,912

Note:

(1) Converted from Pula into Sterling at an exchange rate of 11.8508 Pula for one Sterling.

(2) Licence currently being renewed for a further period of 2 years. Upon renewal the Company will be obliged to incur certain minimum expenditures in respect of the prospecting licence.

Proposed Transactions

There are no proposed asset or business acquisitions or dispositions before the Board for consideration.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Transactions with Related Parties

The Company was charged £17,625 (2005 - £17,625) and £76,856 (2005 - £95,561) for the three and twelve months ended 31 December 2006 by the Dragon Group, a group controlled by A. J. Williams, a director of the Company, for the provision of fully serviced office accommodation in the UK and reimbursed expenses. Accounts payable at 31 December 2006 were £35,731 (2005 - £12,651).

The Company was charged £23,548 (2005 - £12,817) and £81,718 (2005 - £43,421) for the three and twelve months ended 31 December 2006 by the Summit Resource Management Limited, a company controlled by D. Jones, a director and the former Chief Executive Officer of the Company, for the provision of fully serviced office accommodation in Canada and reimbursed expenses. Accounts payable at 31 December 2006 were £196 (2005 - £2,394). The services are provided under a one year contract that expires on 1 September 2007.

On 1 July 2006, the Company entered into an agreement with Pickax Corporation ("Pickax") for the provision of the services of Joseph Hamilton to act as a director and officer of the Company. The Company will pay Pickax £164,800 per year pursuant to such agreement, which agreement may be terminated by either party upon not less than three months written notice. Pickax is a corporation controlled by Joseph Hamilton, a director and former Chief Operating Officer of the Company. This agreement replaced an

existing executive services agreement on materially the same terms and conditions. The Company was charged £82,400 for the six months ended 31 December 2006 under the agreement.

The Company was charged £34,607 (2005 - £79,799) for the twelve months ended 31 December 2006 by Aegis Instruments, Micromine and MGE Consulting, each owned by S. Bate, a director of a subsidiary, in respect of provision of geophysical and geological consulting and administration services. Accounts payable at 31 December 2006 were £3,215 (2005 - £11,229).

These related party transactions were in the normal course of operations and were measured at the exchange amounts.

Risks

The exploration for and exploitation of natural resources are speculative activities that involve a high degree of risk for the Company and shareholders. The risk factors which should be taken into account in assessing the Company's activities include, but are not limited to, those set out below.

The risks noted below do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of likelihood or magnitude of consequences.

The development of the Dukwe and Matsitama Projects into commercial operation cannot be guaranteed

In general, development projects have no operating history upon which to base estimates of future cash operating costs. For development projects such as the Dukwe Project, estimates of mineral resources and mineral reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital costs and cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the orebody, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain work on the Dukwe Project that could adversely impact estimates of capital and operating costs of the project and such differences could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

There can be no assurance that the Company will be able to complete the development of the Dukwe Project at all or on time or on budget due to, among other things, changes in the economics, mining plan and/or size of the Dukwe Project (including the scope of the pre-stripping and the size of the open pit), delays in receiving required consents, permits and registrations, inability or delay in entering into contract mining and/or copper offtake agreements on favourable terms, delays in the delivery and installation of plant and equipment and cost overruns. There can be no assurance that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur, it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Copper price volatility may affect the production, profitability, cash flow and financial position of the Company

The Company's revenues, if any, are expected to be derived from the extraction and sale of copper concentrate. The price of copper has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. In recent years the price of copper has been affected by changes in the worldwide balance of copper supply and demand, largely resulting from economic growth and political conditions in China and other major developing economies. While this demand has resulted in higher prices for copper in recent years, if Chinese economic growth slows, it could result in lower prices for copper. The effect of these factors on the price of copper, and therefore the current or future economic viability of any of the Projects, cannot accurately be predicted. Any material decrease in the prevailing price of copper for any significant period of time would have an adverse and material impact on the Company's results of operations and financial conditions, as well as the economic viability of the Dukwe Project.

The Company currently depends significantly on a single project -- the Dukwe Project

The Company's activities are focused primarily on the Dukwe Project. Any adverse changes or developments affecting this project would have a material and adverse effect on the Company's business, financial condition, results of operations and prospects.

Future operations are subject to the normal risks of mining operations

The Company's future mining operations are subject to all of the hazards and risks normally incidental to exploration, development and the production of copper, any of which could result in damage to life or property, environmental damage and possibly legal liability for any or all damage. The Company's activities may be subject to prolonged disruptions due to weather conditions, hazards, such as unusual or unexpected geologic formations, flooding or other conditions that may be encountered in the drilling and removal of material.

There may be a higher than normal risk of operational problems being experienced, resulting from inexperience of plant management and operating and maintenance staff should suitably trained personnel resources not be readily available in Botswana or not otherwise easily employed from within the Southern Africa region. This situation could also be impacted by delays in issuing of necessary work and other labour permits to allow expatriate expertise to be utilized to the extent necessary.

The success of current and future exploration activities cannot be assured

The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While discovery of a mineral structure may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenditure may be required to establish mineral reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Projects or the current or proposed exploration programmes for the Projects will ever result in the discovery of an economically viable mineral deposit or in a profitable commercial mining operation.

Whether a copper deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of copper and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Dukwe Project and/or the Matsitama Project not being, or ceasing to be, viable, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company may require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to the Company

The development of the Dukwe Project and the construction of mining facilities and commencement of mining operations may require additional financing (including a working capital facility). Failure to obtain such financing, and/or sufficient financing for the exploration and development of the Matsitama Project and any future projects, will result in a delay or indefinite postponement of exploration, development or production on the Company's properties or even a loss of a property interest. The only source of funds currently available to the Company is through the issue of equity capital, the sale of properties, royalty interests, the entering into of joint ventures or incurring debt. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions

The Company conducts its operations through foreign subsidiaries, and substantially all of its assets are held in such entities. Accordingly any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its

operations efficiently. Any such limitations, or the perception that such limitations may exist in the future, could have a material and adverse impact on the Company's valuation.

In addition, operating in foreign jurisdictions exposes the Company to the effects of political, economic or other risks, including changes in foreign laws (whether arbitrary or not), expropriation or nationalization of property, risks of loss due to civil strife, acts of war, insurrection or terrorism (including the effects of such acts which occur in neighbouring states), cancellation or renegotiation of contracts or the inability to enforce legal rights in the foreign jurisdiction.

The Company has no operating history and a history of losses and there can be no assurance that the Company will ever be profitable

The Company has no mineral properties from which any ore has ever been extracted and sold and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Company has not earned profits to date and there is no assurance that it will do so in the future.

Government regulations may have an adverse effect on the Company's mining operations

The Company, its subsidiaries, its business and its operations are subject to various laws and regulations. The costs associated with compliance with such laws and regulations may cause substantial delays and require significant cash and financial expenditure, which may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects and, in particular, the development of the Dukwe Project.

The Company's operations and its ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. The Company believes that it currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities that it is currently conducting and to hold the mineral rights it currently holds under applicable laws and regulations in effect at the present time, and also believes that it is complying in all material respects with the terms of such licences, permits and authorizations. However, the Company's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

Currency fluctuations may affect the costs that the Company incurs in its operations

The Company's costs are incurred primarily in Sterling, Rand and Pula and the Company holds funds in Sterling, Canadian dollars and Rand. Changes in the currency exchange rates of Sterling against Canadian dollars, Rand or Pula will affect the results presented in the Company's financial statements and cause its earnings to fluctuate. To the extent that the Company does not have sufficient Rand or Pula and the exchange rates of Sterling against either currency changes, such changes may affect the capital and operating costs of the Projects. As well, such fluctuations may affect the cash flow that the Company hopes to realise from its operations. Accordingly, the Company will be exposed to exchange rate fluctuations which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Further, there is no guarantee that the government of Botswana will not impose restrictions on the convertibility of and obligations to remit and convert to local currency in future. Such fluctuations in foreign currency or restrictions on the convertibility of and obligations to remit and convert to the currency of Botswana could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The prevalence of HIV/AIDS in Botswana may adversely impact the Company's proposed mining operations

The per capita incidence of the HIV/AIDS virus in Botswana has been estimated as being one of the highest in the world, according to public sources. As such, HIV/AIDS remains the major healthcare challenge faced by Botswana and the Company's operations in the country. If the number of new HIV/AIDS infections in Botswana continues to increase and if the Botswana government imposes more stringent

obligations on employers related to HIV/AIDS prevention and treatment, the Company's operations in Botswana and profitability could be adversely affected.

The Company relies on key personnel and its management team and outside contractors (including those in Botswana), and the loss of one or more of these persons may adversely affect the Company

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate expertise as the business develops. The Company has entered into employment agreements with certain of its key executives. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

The Company will rely heavily on sub-contractors to build, run and maintain the Projects. The failure of a sub-contractor to perform properly its services to the Company could delay or frustrate mining operations, and have a materially adverse effect on the Company.

Insurance and Uninsured risks

Although the Company maintains liability insurance against certain risks in an amount that it considers consistent with industry practice for a corporation in the development stage, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. As well, there are risks against which the Company cannot insure or against which it may elect not to insure because of high premium costs. The potential costs that could be associated with any liabilities not covered by insurance which may be, but is not, taken out or in excess of insurance coverage actually taken out may cause substantial delays and require significant capital outlays, adversely affecting the Company's financial condition.

The Company will require significant additional insurance to cover construction and operating risks, as applicable. There can be no assurance that such insurance will be available or that the terms and costs of such insurance will not adversely affect the profitability of the Dukwe Project and, therefore, the Company's business, financial condition and/or results of operation.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, payables and accrued liabilities, some of which are denominated in Sterling, Pula, Rand, United States dollars, Canadian dollars and Australian dollars. These accounts are recorded at cost which approximates their fair value at each reporting period end value in Sterling. The Company experiences financial gains or losses on these accounts as a result of foreign exchange movements against Sterling. The Company is exposed to currency risk related to the exploration and development expenditures on its Dukwe and Matsitama projects since it settles the majority of these expenditures either in local currency Pula or Rand. These expenditures are negatively impacted by increases in value of either Pula or Rand versus Sterling. As mine development costs are incurred and purchase commitments made for the development of the Dukwe Project in 2007, the Company may acquire Pula and Rand or use derivative positions to lock in these costs in Sterling, if it believes it prudent to do so. See "Managing the Impact of Exchange Rates" under "Performance - Dukwe Project" in this MD&A for a detailed description of the nature and amounts of the losses on these accounts in 2006.

The Company has placed its cash and cash equivalents in short-term liquid deposits or investments which provide a revised rate of interest upon maturity.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information relating to the Company, including its consolidated subsidiaries, is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls

and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109— *Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure .

Outstanding Share Data

Outstanding Ordinary Shares	Number
Balance 31 December 2004	49,992,173
Ordinary shares issued on the exercise of warrants during 2005	2,040,982
Balance 31 December 2005	52,033,155
Ordinary shares issued on June 2006 offering	75,000,000
Ordinary shares issued on the exercise of warrants during 2006	2,474,030
Ordinary shares issued on the exercise of options during 2006	1,000,000
Balance 31 December 2006 and 23 March 2007	130,507,185

Warrants	Number	Exercise Price	Expiry Date
Warrants*	2,502,045	52.5p	12 November 2007
Warrants	2,836,182	50.0p	31 March 2005
Balance 31 December 2004	5,338,227		
Exercise of Warrants during 2005	(2,012,967)	50.0p	31 March 2005
Expiry of Warrants during 2005	(823,215)	50.0p	31 March 2005
Exercise of Warrants during 2005	(28,015)	52.5p	
Balance 31 December 2005	2,474,030		
Exercise of Warrants during 2006	(2,474,030)	52.5p	
Balance 31 December 2006 and 23 March 2007	Nil		

*exercise price is 52.5p for the first two years of the exercise period and 70p for the third year of the exercise period

Options	Number	Weighted Average Exercise Price
Mortbury option plan *	1,250,000	\$Can 0.25
Mortbury option plan *	450,000	35.0p
Company option plan	1,290,000	60.1p
Compensation option**	499,872	83.6p
Balance 31 December 2004	3,489,872	42.5p
Options granted	2,260,000	76.0p
Options cancelled	(90,000)	76.0p
Balance 31 December 2005	5,659,872	52.6p
Options granted	8,660,000	77.5p
Mortbury options exercised	(1,000,000)	14.0p
Balance 31 December 2006 and 23 March 2007	13,319,872	73.0p

*Under the Mortbury option plan, 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. No further options will be granted under the Mortbury option plan. There are an aggregate

of 5,200,514 ordinary shares reserved for issuance under the Company's option plan and 1,700,000 ordinary shares reserved for issuance under the Mortbury option plan.

***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 83.6 p each until 12 November 2006 and 91.2 p each for one year thereafter.*