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Chairman's Statement

Dear Shareholders,

The 2007 fiscal year marked the transformation of our Company from a junior explorer to a near-term producer of copper. Very few companies make this quantum leap in viability in the mineral exploration industry. This achievement is a tribute to the dedication and hard work of the talented employees at African Copper who continue to work tirelessly to achieve the aggressive goals that were set for them at the end of 2006.

African Copper was incorporated in early 2004 and admitted for trading on AIM in mid-November of that year. We're very proud of what we have achieved in three short years. In 2004, the Mowana mineralization totalled about 6 million tonnes of indicated mineralization. By the end of 2007, the Company had confirmed about 87 million tonnes of measured and indicated resources at 0.71% copper of which approximately 14 million tonnes had been converted into proven and probable reserves at 1.1% copper. In addition, African Copper had completed sufficient engineering to determine the best processing route for the mineralization, raised sufficient capital to enable construction to commence production, entered into EPCM contracts, obtained all required permits, commenced mining at the operations, signed a five-year offtake agreement and successfully recruited all senior Section Managers for the eventual mine. I believe that these achievements are unique in the industry.

While the open pit mineralization is the immediate source of revenue for the Company, the Board remains excited about the possibility of an underground mine at Mowana. Engineering studies for this important expansion are well advanced and I look forward to sharing the results of these studies with our shareholders in the second quarter of 2008. The extraction of deeper mineralization provides longevity for the operations beyond the 7 years represented by the open pit, and should place Mowana firmly on the path to becoming one of Botswana's new mines.

The Board is delighted with the support that we have received from Botswana based shareholders and investors throughout 2007 and into early 2008. The response and the financial support shown by Botswana institutions and the Botswana Stock Exchange have been unequalled. The Board remains confident that the Company development objectives are achievable in 2008 and believes that the share price will respond positively as we meet our corporate goals throughout the balance of 2008.

As African Copper moves into production the Board will continue to grow shareholder value and to sensibly leverage the resources that shareholders have entrusted to us. The Company will be aggressive in pursuing both exploration and acquisition opportunities while remaining cognizant of market conditions and shareholder interests. As a shareholder, you can be assured that the Board will protect your interests, will push management to achieve ever greater goals, will require the Company to develop projects in a sensible and environmentally sustainable manner, and will ensure the engagement of communities and stakeholders at all stages.

On behalf of the Board, I would like to thank the shareholders and employees of African Copper for their support and loyalty in 2007. I would also like to thank my fellow Directors for their active participation and contributions to the Company in its transition year. I expect that 2008 will be an exciting year for the Company, and for our shareholders.

ROY CORRANS

Chairman,

A handwritten signature in black ink, appearing to read "Roy Corrans", written over a horizontal line.

30 March 2008



AIM and TSX: ACU
BSE: African Copper

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended 31 December 2007

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 2007 compared with 31 December 2006. The MD&A should be read in conjunction with the 31 December 2007 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). All amounts herein are expressed in British Pound Sterling unless otherwise indicated and the information is current to 30 March 2008.

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

The scientific and technical information in this MD&A has been prepared under the supervision of Mr. Joseph Hamilton, P. Geo., the Company's Chief Executive Officer and a "**qualified person**" as defined by Canadian National Instrument 43-101.

BUSINESS OVERVIEW AND STRATEGY

African Copper is an international exploration and development company. At its Mowana Mine Property in Botswana, total open pit proven and probable reserves have been estimated at 14.8 million tonnes grading 1.11% copper. Construction of the project began in 2006 and significant progress was made in 2007. Production is scheduled to commence in the second quarter of 2008, which will transition African Copper from a junior exploration company to a copper producer. The Company also has a 100% interest in the Matsitama exploration concession, which has ten high priority drill-ready and 35 lower priority targets

The Company is incorporated in England and Wales, and its ordinary shares are tri-listed on the AIM market of the London Stock Exchange, the Toronto Stock Exchange ("**TSX**") and the Botswana Stock Exchange ("**BSX**"). The ordinary shares 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 mining company and to provide above average returns to shareholders. Production at Mowana is expected to grow from an estimated 5,500 tonnes of copper in 2008 to an estimated 29,000 tonnes in 2012. Mowana has an estimated seven-year mine life in the open pit and it offers African Copper near-term production, with the potential for future expansion. African Copper intends to exploit this reserve while continuing to pursue exploration potential around and under the open pit, and in the Matsitama Belt.

The Company has a large land position in a favourable geological setting, which is relatively under explored at depth and laterally. There are three areas where exploration is being focused:

1. Near the Mowana Mine - a recent drill programme established mineralization south of the open pit.
2. Underground at Mowana – at this time over 70% of the known estimated Mineral Resource base at Mowana lies outside of the open-pit boundary. This deeper predominantly sulphide mineralization may potentially be used to supplement open-pit feed but must be extracted by underground methods.

3. In the 3000 km² Matsitama Belt, the Company has 10 drill-ready and highly prospective targets. In 2007, the Company's announced mineral resource estimates of the Thakadu prospect which included an estimated 4.7 million tonnes of indicated resource grading 1.72% copper and 3.6 million tonnes of indicated resource grading 16 grams per tonne silver. In addition to the Thakadu deposit, the Company has also identified copper-gold, nickel-PGM, and zinc-lead-silver prospects worthy of further advanced exploration follow up.

MOWANA PROJECT DEVELOPMENT

The 2007 year concentrated on the construction and optimisation of the Mowana Mine Project. Management focused on the development and construction of the process plant and mining infrastructure at Mowana in preparation for commencement of plant commissioning. In addition, management focused on establishing and expanding reserve and resource estimates, optimising pit designs, improving metallurgical recoveries and investigating the implementation of Dense Media Separation ("DMS") technology all for the purpose of maximizing future commercial operations.

Over the last two months of the year heavy rains hit Botswana leading to stoppages due both inclement weather and waterlogged pit conditions. Management reacted well with proactive measures to maintain the project schedule. With the onset of better weather the construction programme has intensified and continues to progress within current plans. By the end of the year, over 700 employees and subcontractors were working on process plant construction and mine development. At the end of February 2008, over 1,000 people were on site involved in the ongoing construction and mining at Mowana.

Capital Costs have been kept within the revised budgets presented in November 2007. The estimated 8% (ZAR 35 million) increase in capital over the ZAR 430 million 2006 budget estimate was composed of intentional design changes to the crushing circuit (4.5%) and to cost escalation that is being experienced throughout the industry. As of the end of February 2008, construction of surface facilities was about 90% complete.

The Mowana Mine processing facility has been designed and built on a well-understood and proven flotation process to produce saleable copper concentrates from the treatment of approximately 1 million tonnes per year of oxide, supergene and sulphide ore. The concentrator contains both oxide and sulphide flotation circuits to treat the predominately mixed ore from the upper parts of the Mowana open-pit. The concentrator could be expanded to treat 2 million tonnes per year of sulphide ore since the installed capacity of the crushing circuit and floatation tanks are estimated to be sufficient to support this throughput.

Excellent progress has been made in the preparation of the open-pit for commercial mining activity. In early 2007, the Company signed a five-year mining contract with Moolman Mining Botswana (Pty.) Ltd. Mining commenced in July 2007 with the removal of free-digging loose material from the open-pit area. By the end of 2007, the full fleet of face-loading shovels had arrived on-site and these were commissioned in January 2008. Currently 16 of the 26 100-tonne haul trucks are on-site in addition to all ancillary graders, bulldozers, loaders and blast hole drill rigs. Even with the heavy rains experienced in January 2008 pre-stripping was maintained close to schedule and blasting in the pit and stockpiling of ore had commenced by the end of January 2008. At the end of March 2008, the stockpiles at Mowana consisted of about 200,000 tonnes of material at 0.9% copper, including about 33,000 tonnes grading 1.8% copper on the high grade stockpile.

During the 2007 the Company continued to strengthen its management and operating team. By the end of the year, the Company had filled all senior positions. The technical and operational team in Botswana has grown from 22 as at the end of 2006 to over 50 at the end of 2007 and currently numbers 77. Recruitment of junior level staff is on-going. The Company expects to have approximately 175 employees when the Mowana Mine goes into production, which is expected in the second quarter of 2008.

In January 2008 the Company signed a concentrate sale and purchase agreement (the "**Off-take Agreement**") with MRI Trading AG ("**MRI**") for 100% of all copper products shipped from the Mowana Mine. The Off-take Agreement has a duration of 5 years and is renewable. In conjunction with the Off-

take Agreement, MRI subscribed for 7,284,000 ordinary shares of the Company at a subscription price of 0.70 Sterling per ordinary share.

Commissioning of the mechanical portions of the plant commenced in late March 2008 and should culminate in the hot commissioning of the primary crusher in May 2008. First concentrate is expected as hot commissioning is completed, and the Company expects to be shipping concentrate shortly thereafter. Completion of construction activities on site is expected in July 2008 with a hand-over from EPCM teams to operational teams. Commercial production is expected to be declared in the third quarter of 2008.

Development and construction highlights for the year include:

Process Plant

- 10 km all-weather access road completed
- Water bore field drilled, tested and equipped. Collection system and 12-kilometre pipeline finished ahead of schedule.
- Ball mill on site and assembled on schedule
- Crushing circuits on-site
- All major concrete work complete
- Site electrical supply is connected to permanent grid power via a 19 kilometre 132 kV power line

Mining

- Pre-strip mining operations and drill-blast activities commenced with ore exposed on a number of faces and ore stockpiled
- Waste mining schedule supports various bulk-fill activities for the construction programme.
- 2 scraper fleets were utilized during the year to remove free-dig material within the open-pit at a reduced mining cost to conventional load & haul applications
- Main mining fleet arrival began in November - currently 16 Komatsu 785 trucks on site, 2 DM 30 blast hole rigs, 3 face loading shovels and ancillary bulldozers, graders and fuel trucks

General Site

- Continued work on installation of electrical systems, conveyors and general site infrastructure are well progressed and according to current schedule.
- Housing development activities progressed with main infrastructure (water, power and sewerage) being finalized and commencement of construction of the planned 50 houses.
- Key operational personnel moved on-site into temporary office accommodation to optimise managerial presence and interface with EPCM during commissioning

EXPANDING MOWANA RESERVE AND RESOURCE ESTIMATES

The Company has a large land position in a favourable geological setting, which is relatively under explored at depth and laterally. During 2007, management continued to focus on the expansion of the estimated resource base at Mowana with the goal of extending the mine life by sourcing more material within the proximity of open-pit mining operations and through underground access. Management also investigated the use of DMS technology which provides the opportunity to access more copper units contained in waste from the supergene and sulphide ores while also assisting in grade control and metallurgical smoothing of concentrator feed.

In June 2007 the Company issued an updated mineral resource estimate (in accordance with SAMREC, JORC and NI 43-101 Standards) for the Mowana Project completed by independent consultants Caracle Creek International Consulting ("**CCIC**"). The CCIC estimate was based on a further 17,000 metres of drilling as compared to the previous estimates released in 2006. The CCIC Technical Report is dated June 2007 and entitled "Dukwe Copper Project 2007 Geological Modelling and Resource Re-estimation" and available under the Company's profile on SEDAR at www.sedar.com.

In November 2007 the Company issued a further technical report in order to report the estimated copper mineral reserves and resources contained within the engineered open-pit designs. Pit designs were completed based on the CCIC resource estimate released in June 2007. Independent consultant, Read, Swatman & Voigt (Pty) Ltd. ("**RSV**") reviewed the mineral resources at the Mowana Mine using a 0.1% copper cut-off. The RSV Technical Report is dated 26 November 2007 and entitled "National Instrument

43-101 Technical Report on the Mowana Mine Botswana” and is available under the Company’s profile on SEDAR at www.sedar.com. The RSV Technical Report estimated the resource base, at a 0.1% cut-off, to be 87.672 million tonnes of material grading 0.71% copper in the Measured and Indicated categories with a further 46.275 million tonnes of material grading 0.63% copper in the Inferred category, as set out below:

Mowana Mine Total Resource Estimate			
Nov-07			
	Tonnage MT	Copper %	Contained Metal tonnes Cu
Measured	42.45	0.65	275,900
Indicated	45.22	0.76	343,700
Total M&I	87.67	0.71	619,600
Inferred	46.27	0.63	291,500

Note: 0.1% copper cut-off, Measured, Indicated and Inferred resources comply with the definitions of SAMREC, JORC and NI-43-101. For more information see the technical report entitled “National Instrument 43-101 Technical Report on the Mowana Mine Botswana” and available on our website at www.africancopper.com or under the Company’s profile on SEDAR at www.sedar.com.

The RSV Technical Report also reported, in accordance with SAMREC, JORC and NI 43-101 Standards, the following mineral reserve and resource estimates contained within the engineered open-pit designs at the Mowana Mine property:

Mowana Mine Reserve and Resource Estimate			
Nov-07			
	Tonnage MT	Copper %	Contained Metal tonnes Cu
Proven	10.82	1.00	108,000
Probable	3.98	1.40	56,000
Total proven & probable	14.80	1.11	164,000
In-pit Inferred resource	4.33	0.80	35,000

Note: 0.1% copper cut-off, Measured, Proven and Probable reserves comply with the definitions of SAMREC, JORC and NI-43-101. For more information see the technical report entitled “National Instrument 43-101 Technical Report on the Mowana Mine Botswana” and available on our website at www.africancopper.com or under the Company’s profile on SEDAR at www.sedar.com.

During the fourth quarter of 2007, the Company completed a drill programme to the south of the open pit that hosts copper mineralization at the Mowana deposit. Sulphide mineralization at Mowana is known to continue to the north and south of the deposit and at depth. The drill programme potentially extended mineralization for up to 800 metres to the south of the pit. Drill assay information is pending and it is expected that this will be used to model the results and evaluate estimated mineral resource potential during the second quarter of 2008. Assuming that the grades encountered in this area are economic, management will integrate this newly-discovered material into the comprehensive mine plan for Mowana.

GROWING PRODUCTION AT MOWANA

During 2007 management conducted a number of programmes to better define the near surface open-pit mineralization and related higher grade trends, and optimise pit designs and mine production schedules. Metallurgical studies were also conducted to optimise process design and recoveries, and explore the benefits of a DMS plant. At the conclusion of these studies, the Company released its open-pit production profile in February 2008 (see press release 25 February 2008) for the first five years of mining at the Mowana mine. The resultant production estimates show a five-fold increase in annual copper production between 2008 and 2012:

		2008	2009	2010	2011	2012
Estimated Cash Cost*	US\$/lb	\$ 2.48	\$ 1.90	\$ 2.05	\$ 1.78	\$ 1.49
Estimated Production	Tonnes Cu	5,500	12,100	18,000	23,000	29,000

*The RSV Technical Report listed the operating cost assumptions for the Mowana Mine which were used to develop the above estimates (see Section 18: pages 127-133 of the RSV Technical Report).

Results from DMS plant studies and related metallurgical recovery testing conducted in 2007 exhibited better recoveries and mass pulls of processing of supergene and sulphide mineralization. This material is at depth beneath the oxide copper. As such sufficient supergene and sulphide material will not be accessed until 2010 so any DMS plant construction and associated capital expenditures are not required until the end of 2009. The Mowana Mine production plan contemplates processing the highest grade oxide ore directly through the dual oxide-sulphide flotation concentrator in 2008 and 2009 while stockpiling lower grade material for future processing through the DMS plant.

UNDERGROUND DEVELOPMENT

The Company's strategy is to commence mining at Mowana by extracting the open-pit reserve to provide initial production and cash flow. Since the majority of the Mowana resources are not contained within the open-pit limits, management is actively investigating the integration of underground access to the remaining estimated resources. In 2007 a pre-feasibility study was commissioned to investigate the viability of an underground mine. DMS studies completed during 2007 showed that it would be possible to use bulk mining methods underground to extract mineralization and that this material could be upgraded prior to the introduction into the ball mill and flotation circuits. A complete mine layout was developed in late 2007 which encompassed multi-level development over the entire 2 kilometre strike extent of the known mineralization at Mowana to a depth of 850 metres.

Further design work has been undertaken to establish mining schedules for the trial mining phase. Ore access strategy and target locations for optimal early exposure of supergene and sulphide mineralization are being reviewed by the Company. The merit of the underground mine is that it would allow the Company to access the large tonnage of resources that exist at Mowana, expand production and maximize the capacity in the processing plant. In addition, lateral deep multi-level horizontal development will facilitate optimal underground diamond drill locations for further evaluation and extension of the sulphide mineral resource estimate.

SHORTAGE OF POWER IN SOUTHERN AFRICA

Early in 2008, South Africa experienced a number of power shortages. To date African Copper has not experienced any major impact due to these or any other power shortages at the Mowana site.

The shortages of power currently being experienced in South Africa are not expected to materially impact the Mowana operation directly. The Mowana Mine is not yet drawing sufficient power on a consistent basis to impact any usage in the country. The most significant use of power once production is established will be in the crushing system, but this only needs to be operational for 8 to 10 hours per day. The Company is planning to run the crusher during off-peak times and alleviate this risk. At the same time, it is studying the power requirements with a view to sourcing additional backup standby generating capacity.

Power outages in South Africa have impacted suppliers in that country and their ability to provide components in a timely manner. Piping and electrical cable deliveries have been challenging over the first part of 2008. First fills of consumable supplies (reagents, grinding media, etc) continue to arrive and be stored on-site. Nevertheless, the Mowana Mine project remains on-track to establish production in Q2 of 2008.

Botswana intends to be self-sufficient in power by 2012 through expansions at its Government owned coal mining and electrical generation facilities.

THAKADU RESOURCE ESTIMATE AND CONTINUED EXPLORATION

The Matsitama prospecting licences cover a very large area of 3,000 km² highly prospective mineral holdings. These licences are contiguous with the Mowana deposit discussed above. Work during 2005 and 2006 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 were received in the first quarter of 2007. In July of 2007, the Company published a resource estimate for the Thakadu mineralization completed by RSG Global Consulting. RSG's technical report is dated 24 July 2007 and entitled "Database Review, Geological Modelling and Grade Estimation of the Thakadu Copper Project" and is available on the Company's website at www.africancopper.com and under the Company's profile on SEDAR at www.sedar.com:

Thakadu Resource Estimates (July 2007)

	Copper resources		Silver Resources	
	Tonnage MT	Copper %	Tonnage MT	g/t Ag
Indicated resource	4.715	1.72	3.558	16
Inferred resource	0.961	1.29		

Note: Indicated and Inferred resources comply with the definitions of SAMREC, JORC and NI-43-101. For more information see the technical report entitled "Database Review, Geological Modelling and Grade Estimation of the Thakadu Copper Project" and available on our website at www.africancopper.com or at www.sedar.com

The geological mapping of drill core from Thakadu has led to new geological interpretations of the area. The Company completed extensive TITAN geophysical surveys and geochemical surveys of the area in 2007. Several unexplored geochemical anomalies have now become higher priority exploration targets. Drilling is on-going over these targets.

The Thakadu deposits represent an advanced exploration project that may develop into a mining project in its own right or, alternatively, as a complementary project running either in parallel or in series with the Mowana 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 thus 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 undertaken by the Company has brought several prospects outside of the Mowana and Thakadu-Makala deposits into focus as locations deserving substantial additional exploration effort. These areas include:

- The Gaokae nickel-PGM anomaly
- Nakalakwana Hill copper-gold targets
- Phute copper anomaly
- The 75-kilometre Lepashe Snake copper anomaly

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 was completed in 2007 to test geological interpretations of the area. In addition, an extensive TITAN geophysical survey was completed over the substantial potassium radiometric anomaly that occurs in this area. Drill testing

continued throughout 2007. Disappointingly, exploration and drilling efforts were hampered in 2007 as a result of excessively long turnaround times for sample analyses leading to delayed interpretation and siting of ongoing drill targets. In many situations, the time from submittal until receipt of assays was in excess of 12 weeks.

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", which is available under the Company's profile on SEDAR at www.sedar.com.

THE OUTLOOK FOR COPPER

Commodities, including copper, have been rising due to continued increases in both operating and capital costs, which are impacting long-term margins and the incentive price required to deliver an acceptable return on new projects. In recent years China and India have overwhelmingly dominated demand growth and the importance of the United States has declined. Supply side shocks as opposed to rapid increases in demand positively impacted prices in 2007. Restricted supply-side response and low inventories have under-pinned copper prices as strikes, weather, resource nationalism, changes in tax regimes and power shortages have reduced units of copper to the market. Long-term prices are being revised upwards and a number of market analysts are expecting that long-term prices will remain above their long-term average for the next few years.

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 and financial instruments 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 Mine 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 Mowana Mine Project in September 2006 the deferred exploration costs incurred to date on Mowana were reclassified as mine development and infrastructure costs and future general and administrative costs expensed. Mowana 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 Mowana Mine 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:

Asset retirement obligations are future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site. The liability is accreted over time through period charges to the Consolidated Income Statement. In addition, the asset retirement cost is capitalised as part of the asset's carrying value and amortized over the asset's useful life. Subsequent to the initial recognition of the asset retirement obligation and associated asset retirement cost, changes resulting from a revision to either timing or amount of estimated cash flows are prospectively reflected in the year those estimates change.

The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 December 2007 is £464,078. Although the ultimate amount to be incurred is uncertain, the independent Environmental Impact Statement, completed on the Mowana Mine by Water Surveys Botswana (Pty) Limited in September 2006, using an assumption that mining continues to 2023, estimated the undiscounted cost to rehabilitate the Mowana Mine site of 24.3 million Pula (£2 million).

Under the terms of the Mining Licence, by the end of the first financial year in which copper is produced and sold, the Company must establish a trust fund to provide for rehabilitation of the Mowana Mine site once the mine closes. The Company will annually make contributions to this fund over the life of the mine so that these capital contributions together with the investment income earned will cover the anticipated costs. At the end of each financial year, the Company will reassess the estimated remaining life of mine as well as the cost to rehabilitate the mine site and adjust its annual contributions accordingly.

Derivative Financial Instruments:

The Company uses derivative financial instruments, in particular copper put contracts, to manage financial risks associated with their underlying business activities and the financing of those activities. Derivative financial instruments are measured at their fair value. Financial assets and liabilities are recognised on the balance sheet when the Company has become party to the contractual obligations of the instrument. Derivative financial instruments, which are not effective hedges, are measured at fair value, with the movement in fair value being recognized in the consolidated income statement for the period. Movements in the fair value of derivative financial instruments which are considered effective hedges are recognised directly in equity.

Share Based Payments:

The Company is required to charge the Consolidated Income Statement 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 capitalised as a deferred exploration cost depending on the nature of the employee services received.

OVERALL FINANCIAL PERFORMANCE FOR FISCAL 2007

The Company recorded a net gain for fiscal 2007 of £117,409 (0.09p), compared with a net loss of £2,100,884 (2.20p) in fiscal 2006. As evidenced in the following table, higher bank interest receivable and foreign exchange gains more than offset higher corporate costs and Botswana administration costs contributing to the net gain in fiscal 2007.

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Bank interest receivable	(2,986,190)	(1,645,501)
Corporate general and administration	143,420	168,487
Corporate consultants, salaries and benefits	672,155	295,306
Botswana general and administration	239,772	-
Botswana administrative salaries and benefits	270,470	-
Insurance	106,141	55,719
Directors fees	67,800	55,975
Investor relations and public company administration	192,981	97,892
Travel, accommodation	179,735	94,657
Professional fees	347,230	251,201
Share based compensation	518,657	562,199
	2,738,359	1,581,436
Foreign exchange (gain)/loss	(275,811)	2,103,070
Hedging loss	406,231	-
Tax	-	61,880
Net loss/(gain)	(117,409)	2,100,884

Bank interest receivable:

Bank interest receivable for fiscal 2007 increased to £2,986,190 from £1,645,501 in fiscal 2006. The higher bank interest receivable related to higher average cash balances throughout the current year compared to the previous year.

Corporate general and administration, consultants, salaries and benefits:

During fiscal 2007, the Company incurred a total of £143,420 (2006: £168,487) in corporate general and administrative expenses. The decrease in corporate costs was in part due to savings realized by rationalizing corporate office space. Corporate consultant and management compensation costs increased to £672,155 during fiscal 2007 from £295,306 in fiscal 2006. One of the reasons for the increase related to a severance amount of £127,200 paid during the first quarter of fiscal 2007 to D. Jones pursuant to a termination agreement between the Company and D. Jones as part of the planned succession as D. Jones moved from the CEO role to Deputy Chairman, making way for J. Hamilton to move from the COO role to CEO. The remaining increase related to the hiring of a Vice President of Investor Relations and the allocation of certain consulting fees between capitalization to projects and expense depending on the nature of the consultants' work.

Botswana general and administration, salaries and benefits:

As described under "Critical Accounting Estimates – Resource Properties, Deferred Exploration and Development Costs" in this MD&A costs related to the Mowana Mine Project are now being capitalized to mine development and infrastructure with general and administration costs being expensed. During fiscal 2007, Botswana general administration costs of £239,772 and administrative salaries and benefits of £270,470 were expensed.

Insurance:

Insurance expense for 2007 increased to £106,141, compared to £55,719 in 2006. The higher insurance cost during 2007 relates to increases in Directors and Officers insurance costs, and a portion of the insurance consulting and coverage costs incurred in connection with the development and construction of the Mowana Mine.

Investor relations and public company administration:

Investor relations and public company administration costs increased to £192,981 compared with £97,892 in 2006 as the Company implemented a more comprehensive investor relations programme during 2007. Increased costs related to the cost of attending and presenting at more events and the redesign of the Company's website. During fiscal 2007, the Company also incurred TSX listing fees of £10,800 in connection with ordinary shares that were issued in June 2007 as part of the private placement with Botswana institutional investors.

Travel and accommodation:

Travel, accommodation, analyst trip and conference costs increased to £179,735 in fiscal 2007 compared to £94,657 in fiscal 2006. Travel and accommodation costs increased during 2007 reflecting increased corporate and operational travel to and from Botswana. In addition, certain corporate travel expenditures were re-classified during 2006 to share premium as a cost of completing the June 2006 public offering.

Professional fees:

Professional fees increased from £251,201 in fiscal 2006 to £347,230 in fiscal 2007 in part as a result of increased audit, legal and other consulting fees. Fees were incurred on professional mandates for banking facilities and related due diligence, corporate development activities and executive search fees.

Share-based compensation:

Share based compensation expenses of £518,657 (2006:£562,199) are non-cash expenses and reflect the derived value of stock options vested during the year. An additional amount of £209,458 (2006: £429,443) 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. During fiscal 2007 0.2 million options were granted compared to 8.7 million in fiscal 2006. The lower share based compensation expensed and capitalized in fiscal 2007 reflects a lower number of stock options vested during fiscal 2007 compared to fiscal 2006. The fair value of stock options when granted is amortized to the Income Statement over the period in which the options vest.

Foreign exchange:

During fiscal 2007, the Company recorded a foreign exchange gain of £0.3 million compared to a loss of approximately £2.1 million in fiscal 2006. The Company has foreign currency exposure with respect to items denominated in foreign currencies. 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 of the Botswana subsidiaries 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 2007 the foreign exchange translation gain recognized in shareholders' equity was £0.8 million compared to the translation loss of £1.67 million in 2006.

The Company's net monetary asset and liability positions held outside of Botswana 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 foreign exchange gain in fiscal 2007. This fiscal 2007 gain related primarily to the foreign currency translation gains on currency holdings of Canadian dollars and Rand.

Hedging loss:

In May 2007 the Company purchased copper put options giving the Company the right, but not the obligation, to sell up to 5,850 tonnes of copper at a strike price of US\$3.00/lb divided evenly over the period April 2008 to December 2008.

The Company realized a hedging loss of \$406,231 during fiscal 2007 on put contracts that were settled prior to the anticipated start of commercial production as these contracts ceased to be classified as effective hedges. Accordingly, the non-cash losses on the April, May and June 2008 put contracts were expensed in the Consolidated Profit and Loss Statement since commercial production is planned to commence in July 2008. As described under "Critical Accounting Estimates – Derivative Financial Instruments" in this MD&A mark to market movements in the fair value of the put contracts which are considered effective hedges are recognised directly in equity.

OVERALL FINANCIAL PERFORMANCE FOR THE THREE MONTHS ENDED 31 DECEMBER 2007

For the quarter ended 31 December 2007, the Company recorded a net loss of £146,811 (2006: net loss £1,521,716), or 0.11p per share (2006: 1.17p per share). Foreign exchange gains and lower costs related to share-based compensation all contributed to the lower loss recorded in the fourth quarter of 2007.

	Three months ended 31 December 2007 £	Three months ended 31 December 2006 £
Bank interest receivable	(701,279)	(653,176)
Corporate G&A, consultants, salaries and benefits	205,135	55,081
Botswana G&A, salaries and benefits	203,891	-
Insurance	9,899	13,049
Directors fees	16,950	11,650
Investor relations and public company administration	31,875	4,157
Travel, accommodation	66,476	4,849
Professional fees	160,152	112,636
Share based compensation	54,140	105,396
Depreciation	(53,484)	-
	695,034	306,818
Foreign exchange (gain)/loss	(253,175)	1,806,194
Hedging loss	406,231	-
Tax	-	61,880
Net loss/(gain)	146,811	1,521,716

Bank interest receivable:

Bank interest receivable for the fourth quarter of fiscal 2007 increased to £701,279 (2006: £653,176). Even though average cash balances were lower in the fourth quarter of fiscal 2007 compared to the same period in fiscal 2006, interest rates were higher generating more bank interest receivable than during the same period in fiscal 2006.

Corporate general and administration, consultants, salaries and benefits:

During the fourth quarter of 2007, the Company incurred a total of £205,135 (2006: £55,081) in corporate general and administrative expenses. Corporate consultant and management compensation costs increased to £165,390 during the fourth quarter of 2007 from £77,831 in the same period in fiscal 2006. One of the primary reasons for the increase related to an increased allocation in fiscal 2006 certain consulting fees to capitalization of projects rather than expense depending on the nature of the consultant's work. In addition, corporate general and administration was reduced in the fourth quarter of fiscal 2006 as a result of a UK Value Added Tax refund received upon the Company being registered.

Botswana general and administration, salaries and benefits:

As described under "Critical Accounting Estimates – Resource Properties, Deferred Exploration and Development Costs" in this MD&A costs related to the Mowana Mine Project are now being capitalized to mine development and infrastructure with general and administrative costs being expensed. During the fourth quarter 2007, Botswana general administration costs of £119,133 and administrative salaries and benefits of £84,758 were expensed.

Investor relations and public company administration:

Shareholder communication and public company administration costs increased to £31,875 (2006: £4,157) Travel for investor relations personnel and fees paid to a third party consulting firm to assist with

retail marketing were the primary reasons for the increase in the further quarter of fiscal 2007 along with timing of certain year-end public company administration and press release costs.

Travel and accommodation:

Travel, accommodation, analyst trip and conference costs increased to £66,476 in fourth quarter of 2007 compared to £4,849 in the same period in fiscal 2006. Corporate activity increased during the fourth quarter of fiscal 2007 with more travel to Botswana for corporate development purposes and a director's meeting. In addition, the increase was due to hosting an analyst trip and attending and presenting at a retail investment in the United States. Travel and accommodation costs were lower during the same period in 2006 due to an increased allocation in fiscal 2006 certain travel fees to capitalization of projects rather than expense depending on the nature of the travel cost.

Professional fees:

Professional fees increased from £112,636 in fourth quarter of fiscal 2006 to £160,152 in fourth quarter of fiscal 2007 in part as a result of increased audit and legal fees.

Foreign exchange:

During fourth quarter of 2007, the Company recorded a foreign exchange gain of £0.25 million compared to a loss of approximately £1.8 million in fourth quarter of 2006. Fluctuations in the value of Sterling relative to the Rand was the primary contributor to the Company's reported foreign exchange gain in the fourth quarter of fiscal 2007. This gain related primarily to the foreign currency translation gains on currency holdings of Canadian dollars and Rand. The foreign exchange loss recognized in the fourth quarter of fiscal 2006 related primarily to the foreign currency translation losses on currency holdings of Canadian dollars and Rand.

Hedging loss:

The Company realized a hedging loss of \$406,231 during the further quarter of fiscal 2007 on put contracts settled prior to the anticipated start of commercial production as these contracts ceased to be classified as effective hedges. Accordingly, the losses on the April, May and June 2008 put contracts were expensed in the Consolidated Profit and Loss Statement. As described under "Critical Accounting Estimates – Derivative Financial Instruments" in this MD&A mark to market movements in the fair value of the put contracts which are considered effective hedges are recognised directly in equity

Capital Expenditures

The most significant ongoing investing activities during fiscal 2007 were expenditures for the development, pre-strip mining and construction of the Mowana Mine. In addition, capital was also spent for exploration programmes at the Matsitama Project and in areas surrounding the Mowana Mine.

Mowana Mine - mining development and infrastructure and mine plant and equipment

Construction and pre-strip mining activities at the Mowana Mine accelerated with expenditures totalling £13.9 million during the three months ended 31 December 2007 and £34.3 million during the year ended 31 December 2007 as follows:

	For the Three months ended 31 December 2007 £'000	For the Year ended 31 December 2007 £'000
Balance at beginning of period:	34,384	13,963
General yard and site work	1,793	8,848
Process plant	3,459	8,399
Owners cost	(180)	568
Geology	395	923
Mining	6,470	12,867
Ancillary facilities	497	562
Share-based expenses	(24)	209
Fixed assets	1,320	1,740
Depreciation	(62)	(136)
Asset retirement obligation	9	464
Foreign exchange	187	(159)
Ending balance	48,248	48,248

Mowana Mine – deferred exploration expenditures

The Company spent £51,361(2006: £27,639) during the three months ended 31 December 2007 and £385,661 (2006: £27,639) during the year ended 31 December 2007 on exploration activities in the area surrounding the Mowana Mine in the Mowana prospecting licence area. Work during the quarter included diamond drilling at the prospect to the south (within the structure hosting mineralization), further compilation and interpretation of geophysical surveys, geochemical orientation surveys and surface prospecting in the vicinity of geochemical anomalies.

	For the Three months ended 31 December 2007 £'000	For the Year ended 31 December 2007 £'000
Opening balance	362	28
Geological and geophysical	3	61
Drilling and Assay	9	169
Resource Estimate	(28)	-
Administration	37	66
Salaries	31	90
Foreign exchange	(1)	(1)
Ending balance	413	413

Matsitama Exploration Project – deferred exploration expenditures

The Company spent £561,854 (2006: £582,523) during the three months ended 31 December 2007 and £1,929,312 (2006: £1,699,787) during the year ended 31 December 2007 on exploration activities in the Matsitama prospecting licence area as follows:

	For the Three months ended 31 December 2007 £'000	For the Year ended 31 December 2007 £'000
Beginning Balance	3,347	1,980
Drilling	167	724
Assay	45	90
Geological	73	175
Geophysical	15	287
Site management and logging	8	44
Depreciation capitalized	4	16
Administration	164	571
Share-based expenses	(33)	-
Foreign exchange	119	22
Ending balance	3,909	3,909

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 2007 (audited) (£)	Year ended 31 December 2006 (audited) (£)	Year ended 31 December 2005 (audited) (£)
Interest Income	(2,986,190)	(1,645,501)	(529,623)
Operating expenses	2,868,781	3,684,505	1,124,887
(Profit)/Loss before tax	(117,409)	2,039,004	595,264
(Profit)/Loss after tax	(117,409)	2,100,884	612,206
Basic (Earnings)/Loss per ordinary share	(0.09)p	2.20p	1.19p
Diluted (Earnings)/Loss per ordinary share	(0.09)p	2.20p	1.19p
Total assets	82,908,632	69,872,753	18,181,762
Total liabilities	(6,942,607)	(1,905,251)	(1,912,530)
Shareholders' equity	75,966,025	67,967,502	16,269,232

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 2007 gain compared to the fiscal 2006 loss.

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

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. 2007 (£)	Q3 30 Sept. 2007 (£)	Q2 30 June 2007 (£)	Q1 31 March 2007 (£)
Interest revenues	(701,279)	(795,500)	(785,736)	(703,675)
Net loss /(gain)after tax	146,811	(393,693)	(49,761)	179,234
Basic loss/(earnings) per ordinary share	0.11p	(0.28)p	(0.04)p	0.14p
Diluted loss /(earnings) per ordinary share	0.11p	(0.26)p	(0.04)p	0.14p

	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/(earnings) per ordinary share	1.17p	0.53p	(0.36p)	0.30p
Diluted loss /(earnings) per ordinary share	1.17p	0.53p	(0.36p)	0.30p

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 2007.

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.

Liquidity and Capital Resources

At 31 December 2007, the Company’s main sources of liquidity until the Mowana Mine reaches commercial production and produces positive cash flow were its cash and cash equivalents of £22.4 million (31 December 2006 - £53.3), debt and project finance alternatives, equity markets and the possible exercise of share options.

On 28 March 2008, Messina Copper (Botswana) (Pty) Ltd (“**Messina**”), African Copper’s 100% owned subsidiary, received binding subscription agreements as part of a Pula 200 million Botswana Note Programme for Pula 150.0 million (£11.4 million) notes from local Botswana institutions (the “**Botswana Bond**”). The Botswana Bond is denominated in Pula and is an unsecured fixed rate note that bears interest at 14.0% per annum and has a bullet maturity in 7 years. The Company has also raised approximately £5.0 million in additional equity in 2008. In addition, to provide the Company with additional operational flexibility management is in advanced discussions with several financial institutions regarding the establishment of a revolving working capital and hedging facility for the Mowana Mine.

The Company has sufficient financial resources to commence production at the Mowana Mine and adequate working capital for the foreseeable future, being a period of not less than twelve months from 30 March 2008. In the event of operational cost overruns or delays, management believes the Company has adequate flexibility to manage expenditures.

Management intends to complete development of the open pit mining operations with the addition of a DMS plant to the processing plant (planned operational in 2010), further evaluate developing the underground portion of the mine at Mowana and continue with the Matsitama exploration project. With existing working capital, which includes the proceeds from the Botswana Bond, and the contemplated

revolving working capital and hedging facility, the Company does not anticipate that further equity financings will be required and anticipates that any future capital commitments for the underground project at the Mowana Mine will be met from seeking project finance. Should project finance not be available to fund the underground project the Company would, however, consider raising capital in the equity markets based on current market conditions at the time, and, in any event, the Mowana open-pit mining operations can be operated without the underground project being pursued. The copper price on world markets is the single most important variable affecting the liquidity, cash flow and profitability of the Mowana Mine once it reaches commercial production.

The majority of the Company's current contractual obligations relate to commitments in respect of development expenditures for the completion of construction at the Mowana Mine and possible termination payments to the mining contractor at the Mowana Mine should the Company terminate the mining contract early. As described above, Messina was required to secure the Bank Guarantee in support of certain payment obligations in the mining contract. (See Note 10 – Other Non-Current Assets).

At 31 December 2007, commitments under such agreements total £18.9 million:

	Total	2008	2009	2010
	£'000	£'000	£'000	£'000
Contractual Obligations				
Goods, services and long lead equipment ^(a)	14,614	14,614	-	-
Mining contract ^(b)	3,356	3,356	-	-
Matsitama exploration licences ^(c)	777	775	1	1
Lease agreements ^(d)	136	121	15	-
	18,883	18,866	16	1

(a) The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services and long-lead time equipment. The primary commitments relate to the engineering, procurement, construction and management contract (“EPCM”) for the construction of the flotation concentrator and related housing and mine facilities at the Mowana Mine.

(b) In the event of the optional termination of the Moolman Mining Botswana (Pty) Ltd. mining contract by the Company, a maximum early termination payment of approximately £2.6 million, which payment may be reduced, depending upon the number of months notice given, to £nil upon 6 months notice, together with demobilization charges would be payable.

(c) Under the terms of the Company's prospecting licences Matsitama is obliged to incur certain minimum expenditures.

(d) The Company has entered into agreements for lease premises for various periods until 30 August 2009.

During 2007, a total of £163,961 was generated from the exercise of 350,000 share options to purchase ordinary shares at C\$0.25 each and 350,000 share options at 35p each. These share options were originally granted under the stock option plan of Mortbury Limited.

On 26 June 2007, a total of 8,367,772 ordinary shares were issued at a price of 11 Pula (approximately Sterling 0.89) per ordinary share, raising total proceeds of 87,443,217 Pula (approximately Sterling 7.0 million) net of expenses.

In conjunction with the off-take agreement signed with MRI on 25 January 2008, MRI subscribed for 7,284,000 ordinary shares at a subscription price of £0.70 per ordinary share. The private placement closed on 8 February 2008.

At 31 March 2008, outstanding share options and underwriter's options represented a total of 11,215,000 ordinary shares issuable for maximum aggregate proceeds of £8,646,550 if and when exercised.

Proposed Transactions

There are no proposed assets 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 £10,758 (2006 - £17,625) and £22,508 (2006 - £76,856) for the three and twelve months ended 31 December 2007 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 2007 were £8,627 (2006 - £35,731).

The Company was charged £20,252 (2006 - £23,548) and £79,064 (2006 - £81,718) for the three and twelve months ended 31 December 2007 by the Summit Resource Management Limited, a company controlled by D. Jones, a director and the Deputy Chairman of the Company, for the provision of fully-serviced office accommodation in Canada and reimbursed expenses. Accounts payable at 31 December 2007 were £5,288 (2006 - £196). The services are provided under a one year contract that expires on 1 September 2008.

The Company entered into an agreement with Pickax International Corp. ("**Pickax**") and Joseph Hamilton on 1 July 2006 pursuant to which Pickax agreed to cause Joseph Hamilton to provide services to the Company, in the capacity of Chief Operating Officer. The agreement replaced an existing executive services agreement on materially the same terms and conditions and was subsequently amended to reflect Mr. Hamilton's appointment as Chief Executive Officer of the Company. During the term of the agreement, Pickax will be paid £164,800 per year. The Company was charged £41,200 (2006: £41,200) during the three months ended 31 December 2007 and £164,800 (2006: £82,400) during the year ended 31 December 2007 by Pickax. Pickax is a corporation controlled by Joseph Hamilton, the Chief Executive Officer and a director of the Company.

The Company was charged an aggregate £100,646 (2006 - £34,607) for the twelve months ended 31 December 2007 by Aegis Instruments, Micromine (Botswana) Pty and MGE Consulting, each owned by S. Bate, a director of a subsidiary of the Company, in respect of the provision of geophysical and geological consulting and administration services. Accounts payable at 31 December 2007 were £27,482 (2006 - £3,215).

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. The following risk factors should be considered in assessing the Company's activities. Should any one or more of these risks occur, it could have a material adverse effect on the business, prospects, assets, financial position or operating results of the Company. The risks noted below do not necessarily comprise all those faced by the Company. Additional risks not currently known to the Company or that the Company currently deems would not likely influence an investor's decision to purchase securities of the Company may also impact the Company's business, prospects, assets, financial position or operating results.

The Company currently depends significantly on a single project, the Mowana Mine

The Company's activities are focused primarily on the Mowana Mine. 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.

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 Mowana Mine and any other of the Company's 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 economic evaluations contained in this MD&A and on the Company's results of operations and financial conditions, as well as the economic viability of the Projects.

The development of the Mowana Mine into commercial operation on time and budget and its economic viability 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 Mowana Mine, 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 ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors.

At 30 March 2008 the capital costs to achieve production from the Mowana Mine are about 80% complete and can still be affected by cost escalation and currency fluctuations. The Company has attempted to place firm orders for much of the equipment necessary to achieve production and thereby confirm prices and control cost escalations. Operating costs are dependent on the costs of various reagents, supplies, spares and labour. While open pit mining costs can sometimes be better estimated than underground mining costs, they are also very dependent on fuel, tyre and maintenance costs, foreign currency exchange rates and availability of skilled labour.

There can be no assurance that the Company will be able to complete the development of the Mowana Mine on time or on budget due to, among other things, changes in the economics, the scope of the pre-stripping and the size of the open pit, delays in the delivery and installation of plant 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.

The capital and operating cost estimates for the Mowana Mine are estimates only and may not reflect the actual capital and operating costs incurred by the Company

There can be no assurance that final capital cost for the construction of the flotation concentrator and related facilities at the Mowana Mine will not be greater than estimated. In addition, there can be no assurance that the actual mining costs incurred by the Company will not be greater than estimated. Previous capital and operating cost estimates include supplies and inputs, the cost of which the Company has little control over. These include, but are not limited to, transportation and handling charges, the cost of fuel, the cost of electricity, labour costs, reagent costs, smelter charges, the price of construction materials including steel, and the cost of mining equipment and spares. A material increase in one or more of these supplies and inputs may materially increase the actual capital and/or operating costs incurred by the Company. Any material increase may cause the Mowana Mine to become economically unviable or delay the development of the project, either of which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

No assurance can be given that additional capital, if required, will be available at all or available on terms acceptable to the Company

The Company may require additional financing (including a working capital facility) for the addition of a DMS plant to the processing plant and to continue with the Matsitama exploration project. In addition, the

Company will require additional financing for the development of the underground portion of the mine at Mowana. Failure to obtain such financing, and/or sufficient financing for continuing open pit operations, the exploration and development of the Matsitama Exploration Project, or the underground project or any future projects, may result in a suspension of operations or delay or indefinite postponement of exploration, development or production on such properties or even a loss of a property interest. The Company's only sources of additional funds currently available until the Mowana Mine reaches commercial production are its current cash balances, possible exercise of share options, project finance alternatives including the Botswana Note and the equity markets. 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.

The Company may not obtain a working capital and hedging facility

There is no assurance that the Company will obtain the working capital and hedging facility as referred to in the "*Liquidity and Capital Resources*" section of this MD&A. In addition, if a working capital facility is established by the Company, or any similar debt or project financing is entered into by the Company, the Company expects that lenders will require that the Company commit to: restrictive covenants regarding its business and financial operations; hedge some or all of the production from the Mowana Mine; meet certain financial tests during the term of the working capital facility; provide security over all or substantially all of the assets of the Company, including its rights to the Mowana Mine and the proceeds of sales of copper and/or copper concentrate mined from the Mowana Mine deposit; and restrict cash distributions by the Company until such time as the principal amount of the working capital facility and related facilities, if any, is repaid in full; each of which will have a restrictive impact on the ability of the Company to manage its business, operations and cash flows, and will materially limit the Company's ability to pay dividends to holders of ordinary shares. The failure of the Company to comply with any such restrictions may result in a lender enforcing its security over the assets of the Company, which would have a material adverse impact on the Company. Such restrictions, including any hedging programme, may also limit the Company's ability to benefit from increases in the price of copper, which would have a material impact on the Company's cash flows and results of operations.

Future production will be 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.

The Company's future mining 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 sourcing and hiring suitably trained plant management, operating and maintenance staff and these people may 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 obtaining necessary work and other labour permits to allow expatriate expertise to be utilized to the extent necessary.

The Company's copper concentrate will require smelting, and such smelting capacity may not be available or may adversely affect project economics

A portion of any production from the Mowana Mine is expected to be in the form of copper concentrate which would be treated at third-party smelters. The availability of smelter capacity is not guaranteed and costs of such treatment may adversely affect the economic viability of such production.

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 calibre 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 Mowana Mine. 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.

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 business, financial condition, and operations.

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.

Government regulations may have an adverse effect on the Company

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 Mowana Mine.

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 authorisations from various governmental and quasi-governmental authorities. The Company believes that it currently holds or has applied for all necessary licences, permits and authorisations 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 authorisations. However, the Company's ability to obtain, sustain or renew such licences, permits and authorisations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasigovernmental bodies and there can be no assurance that the Company will be able to obtain, sustain or renew any such licences, permits or authorisations on acceptable terms or at all.

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

Copper is sold throughout the world, principally in US Dollars. The Company's costs are incurred primarily in Botswana Pula, and to a lesser extent in British Pounds Sterling, South African Rand and Canadian Dollars. Changes in the currency exchange rates of the US Dollar against the any of these currencies may affect the actual capital and operating costs of the Projects and will affect the results presented in the Company's financial statements and cause its financial position to fluctuate. 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 Government of Botswana imposes more stringent obligations on employers related to HIV/AIDS prevention and treatment, the Company's operations in Botswana and its profitability and financial condition could be adversely affected.

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 the Company's business, financial condition and/or results of operation. As well, there are risks against which the Company cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance which may be taken out or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting the Company's financial condition and/or results of operation.

The Company will require significant additional insurance to cover 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 anticipated profitability of the Mowana Mine and, therefore, the Company's business, financial condition and/or results of operation.

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.

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 pre-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 Projects 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 not be able to effectively manage its growth

The Company's ability to support the anticipated growth of its business will be substantially dependent upon, among other things, its successfully increasing and applying additional resources to support its activities. There is no assurance that the Company will be able to manage any future expansion successfully, and any inability to do so would have a material adverse effect on the Company.

FINANCIAL INSTRUMENTS

The Company uses copper put contracts to manage financial risks associated with its underlying business activities. On 18 May 2007, the Company bought copper put contracts for a total of 5,850 tonnes of copper at a strike price of US\$3.00/lb divided evenly over the period April 2008 to December 2008. These contracts are intended to provide the Company with protection against the possibility of declining copper prices over the critical planned start-up period of the Mowana Mine during 2008. These contracts do not cap the price at which the Company can sell its copper production and there are no margin calls associated with this position. The Company realized a non-cash hedging loss of £406,231 during fiscal 2007 on put contracts settled prior to the anticipated start of commercial production as these contracts ceased to be classified as effective hedges. Accordingly, the non-cash losses on the April, May and June 2008 put contracts were expensed in the Consolidated Profit and Loss Statement.

The Company's financial instruments consist of cash and cash equivalents, receivables, payables and accrued liabilities, some of which are denominated in Sterling, Pula, and Rand, United States dollars and Canadian 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 Mowana 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 Mowana Mine in 2008, 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.

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 .

DISCLOSURE OF OUTSTANDING SHARE DATA

The following details the share capital structure as of the date of this MD&A.

	Expiry date	Exercise price	Number	Number
Common shares				146,858,957
Share purchase options	23 September 2014	£0.35	500,000	
	12 November 2014	£0.76	675,000	
	5 January 2015	£0.76	1,500,000	
	14 March 2015	£0.76	90,000	
	12 November 2015	£0.76	240,000	
	1 August 2016	£0.775	6,860,000	
	11 September 2016	£0.775	400,000	
	30 November 2016	£0.775	200,000	
	29 December 2016	£0.775	<u>750,000</u>	11,215,000

FORWARD-LOOKING STATEMENTS

This MD&A contains “forward-looking information”. Forward-looking information includes, but is not limited to, statements concerning mineral resource estimates, information with respect to the future price of copper, bank interest receivables, the exploration budget for Matsitama, results of mining operations, mining extraction and recovery rates at the Mowana Mine Project, estimates of production of copper at the Mowana Mine Project, including the anticipated production profile for the first five years of mining, the potential for future expansion of the Mowana Mine Project, estimations of the life of the Mowana Mine Project, the expected levels of ore on the stockpiles at the Mowana Mine Project, expected timing of the commissioning of the process plant, the expected success of exploration activities under the open pit at the Mowana Mine Project and in the Matsitama Belt, use of Mineral Resources underground at the Mowana Mine Project to supplement open-pit feed, the merit of an underground mine at the Mowana Mine Project, Botswana’s energy self-sufficiency, the potential of the Thakadu deposits, government regulation of mining operations and exploration, availability of working capital facility and project finance for the underground project at the Mowana Mine Project, expected number of employees and staff at the time of commercial production, expectations concerning the timing of concentrate, the timing of the completion of construction at the Mowana Mine project and hand-over from EPCM teams to operational teams, plans concerning the evaluation of mineral resource potential to the south of the open pit at the Mowana Mine Project, the use of derivative positions and the impact of exchange rates and other statements which are not historical facts.

In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will be taken”, “occur” or “be achieved” and include the negative variation of such phrases.

With respect to forward-looking information contained in this MD&A, the Company has made assumptions regarding, among other things, the Company’s ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations, the regulatory framework in Botswana with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, and the Company’s ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company’s demand.

Although the Company believes that its expectations reflected in forward-looking information are reasonable, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or the Company’s projects in Botswana, or any of them, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, risks related to failure to convert estimated mineral resources to reserves, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of copper, unexpected increases in capital or operating costs, possible variations in mineral resources, grade or recovery rates, failure of equipment or processes to operate as anticipated, accidents, labour

disputes and other risks of the mining industry, delays in obtaining governmental consents, permits, licences and registrations or financing or in the completion of development or construction activities, 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 and uninsured risks, as well as those factors discussed under "Risks" in this MD&A.

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 information, 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 information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein, unless stated otherwise, is made as of the date of this MD&A and the Company makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

The mineral resource and mineral reserve figures referred to in this MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource and reserve estimates referred to in this MD&A are well established, by their nature resource and reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its Annual Information Form, available under the Company's profile on SEDAR at www.sedar.com.

A **conference call** will be held on **April 1, 2008 at 8 a.m. EST or 1 pm London time**. To join us by telephone, please dial **416-695-9753** five minutes prior to the start time. Toll free numbers are available for North American callers at **1-888-789-0150** and UK callers at **(00)-800-4222-8835**. In addition, it is possible to listen to the teleconference and view the slide presentation from our website <http://www.africancopper.com> in the Investors/Conference Calls.

FOR FURTHER INFORMATION PLEASE CONTACT:

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DIRECTORS' REPORT

The Directors present their report with the consolidated financial statements of the Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

A review of the Group's business and prospects is set out in the Management's Discussion and Analysis.

RESULTS

The Group profit after taxation for the year was £117,409 compared to a loss in 2006 of £2,100,884.

PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend for the year (2006: nil).

DIRECTORS

The directors who held office during the year were as follows:

R D Corrans	Chairman
J A Hamilton	Chief Executive Officer
B R Kipp	Finance Director
D Jones	Non-Executive Deputy Chairman
M J Evans	Non-Executive
A J Williams	Non-Executive

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

POST BALANCE SHEET EVENTS

On 25 January 2008 the Company finalized an off-take agreement with MRI Trading AG ("MRI") of Zug, Switzerland. The off-take agreement has a duration of 5 years, is renewable, and covers 100% of all copper products shipped from the Mowana Mine. In conjunction with the off-take agreement, MRI subscribed for 7,284,000 ordinary shares at a subscription price of £0.70 per ordinary share. The private placement closed on 8 February 2008.

On 28 March 2008, Messina Copper (Botswana) (Pty) Ltd ("Messina"), African Copper's 100% owned subsidiary, received binding subscription agreements as part of a BWP200 million Botswana Note Programme for BWP150.0 million (£11.4 million) notes from local Botswana institutions (the "Botswana Bond"). The Botswana Bond is denominated in Pula and is an unsecured fixed rate note that bears interest at 14.0% per annum and has a bullet maturity in 7 years. In addition, to provide the Company additional operational flexibility the Company is in discussions with a number of financial institutions regarding the establishment of a revolving working capital and hedging facility for the Mowana Mine.

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

Director	Shares held at 31 December 2007	Shares held at 31 December 2006	Share Options held at 31 December 2007	Share Options held at 31 December 2006	Option Exercise Price	Option Exercise Period
R D Corrans	-	-	150,000	150,000	76p	12/11/04 to 12/11/14
			150,000	150,000	77.5p	01/08/06 to 31/07/16
D Jones	1,515,000	1,515,000	100,000	100,000	76p	12/11/04 to 12/11/14
			1,250,000	1,250,000	77.5p	01/08/06 to 31/07/16
J A Hamilton	-	-	1,500,000	1,500,000	76p	13/01/05 to 13/01/15
			2,250,000	2,250,000	77.5p	01/08/06 to 31/07/16
B R Kipp	300,000	200,000	-	350,000 ¹	35p	5/04/04 to 29/03/07
			100,000	100,000	76p	12/11/04 to 12/11/14
			1,250,000	1,250,000	77.5p	01/08/06 to 31/07/16
M J Evans	-	-	100,000	100,000	76p	12/11/04 to 12/11/14
			150,000	150,000	77.5p	01/08/06 to 31/07/16
A J Williams	2,250,012	2,250,012	100,000	100,000	76p	12/11/04 to 12/11/14
			150,000	150,000	77.5p	01/08/06 to 31/07/16

Note from table:

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

There have been no changes in the Directors' interests between 1 January 2008 and the date of this Report.

AUDIT INFORMATION

Each of the Directors has confirmed that so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the year, the Company held insurance to indemnify Directors [the Company Secretary and executive officers] of the Company against liabilities incurred in the conduct of their duties to the extent permitted under legislation.

SUBSTANTIAL SHARE INTERESTS

As at 30 March 2008 the Company was aware of the following substantial share interests

	Ordinary shares	%
Geologic Resource Funds	13,853,435	9.4
Goldman Sachs Group	12,792,715	8.7
J P Morgan Asset Management	9,600,000	6.5
MRI Trading AG	7,284,000	5.0
QVT Financial LP	6,980,096	4.8
RAB Capital Plc	6,908,810	4.7
Fidelity Investments	4,768,664	3.2

SHARE CAPITAL

During 2007, a total of 9,067,772 ordinary shares were issued for net cash consideration of £7,194,078 from the following:

(i) On 25 June 2007, a total of 8,367,772 ordinary shares were issued at a price of 11 Botswana Pula (approximately £0.89 and C\$1.89) per ordinary share, raising total gross proceeds of 92,045,492 Botswana Pula (approximately £7.5 million or C\$15.9 million). The Company paid a capital raising fee in cash to Capital Corporate Finance (Pty) Ltd. (Gaborone, Botswana) equal to 5% (exclusive of taxes) of the proceeds raised pursuant to the private placement.

(ii) exercise of 350,000 share options to purchase ordinary shares of 1p of the Company at Can\$0.25 and 350,000 share options to purchase ordinary shares of 1p of the Company at 35p. These share options were options originally granted under the Mortbury Limited option plan.

CREDITOR PAYMENT TERMS

It is the Group's policy to settle all amounts due to creditors in accordance with agreed terms of supply and market practice in the relevant country. The Company's average creditor payment period at 31 December 2007 was 31 days (2006: 30 days).

CORPORATE GOVERNANCE

In formulating the Company's corporate governance procedures the Board of Directors takes due regard of the principles of good governance set out in Revised Combined Code issued by the Financial Reporting Council in July 2003 (as appended to the Listing Rules of the Financial Services Authority) and the size and stage of development of the Group. The Group complies with the guidance issued by the Quoted Companies Alliance, to the extent the Directors consider appropriate, having regard to the size of the Company and its current stage of development.

The Board of African Copper is currently made up of two executive directors and four non-executive directors. Mr. Roy Corrans chairs the Board, Mr. David Jones is the Deputy Chairman and Mr. Joseph Hamilton is the Company's Chief Executive Officer. It is the Board's policy to maintain independence by having at least half of the Board comprising non-executive directors who are free from any business, or other relationship with the Group. The structure of the Board ensures that no one individual or group dominates the decision making process.

The Board meets as deemed necessary to provide effective leadership and overall control and direction of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditures, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to Board meetings.

All directors have access to the advice and services and of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the Company's expense in the furtherance of his duties.

The Board has appointed an Audit Committee, whose primary role is to review the accounts of the Group and a Remuneration Committee, which reviews executive remuneration. Meetings of the Board and of these Committees are held as deemed necessary. The Directors will continue to review the circumstances of the Company and its activities and develop its governance procedures as necessary.

The Audit Committee which meets not less than four times a year considers the Group's financial reporting (including accounting policies) and internal financial controls, is chaired by Roy Corrans, the other members being Mike Evans and Anthony Williams. The committee receives reports from management and from the Group's auditors. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

The Remuneration Committee which meets at least once a year and is responsible for making decisions on directors' remuneration packages is chaired by Roy Corrans, Mike Evans and Anthony Williams are the other committee members.

Remuneration of executive directors is established by reference to the remuneration of executives of equivalent status both in terms of level of responsibility of the position and be reference to their job qualifications and skills. The Remuneration Committee will also have regard to the terms which may be required to attract an executive of equivalent experience to join the Board from another company. Such packages include performance related bonuses and the grant of share options.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time in accordance with London Stock Exchange, Toronto Stock Exchange and Botswana Stock Exchange rules. The Company's principal communication with its investors is through the annual report and accounts, the interim statements and the management's discussion and analysis.

FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash, cash equivalents, copper put options and items such as short-term accounts receivable and creditors that arise from its operations. These financial instruments are the sole source of finance for the Group's operations. The principal risks relate to currency exposure and liquidity.

The financial risk management objectives and policies and foreign currency, liquidity, interest, commodity price and credit risks are discussed in note 23 to the accounts.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contribution and one charitable donation during fiscal 2007 to the SOS Children's Village Francistown in Botswana of £2,500 (2006: £2,500).

AUDITORS

A resolution to reappoint PKF (UK) LLP will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



Joseph Hamilton
Chief Executive Officer
30 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, prepared the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the company financial statements in accordance with those standards. The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRICAN COPPER PLC

We have audited the group and parent company financial statements ('the financial statements') of African Copper plc for the year ended 31 December 2007 which comprise the consolidated income statement and the consolidated and company balance sheets, cash flow statements and statements of changes in equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the Management's Discussion and Analysis that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the Chairman's Statement and the Management's Discussion and Analysis. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 2(a) to the group financial statements the group, in addition to complying with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended.

Emphasis of matter – adequacy of project finance

In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the possible requirement for the company to raise further funding to complete the development of the open pit Mowana Mine and continue with the Matsitama exploration project. If the company is unable to secure such additional funding, this may have a consequential impact on the carrying value of the related assets and the investment of the parent company. The requirement for, or outcome of, any future fundraising cannot presently be determined, and no adjustments to asset carrying values that may be necessary should the company be unsuccessful have been recognised in the financial statements.



PKF (UK) LLP
Registered Auditors
London, UK
30 March 2008

Independent Auditors' Report to the Directors of African Copper plc in respect of Compatibility with Canadian GAAS

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing (UK and Ireland).

We conducted our audit for the year ended 31 December 2007 in accordance with International Standards of Auditing (UK and Ireland). There are no material differences in the form or content of our audit report, except as noted below, as compared to an auditors' report prepared in accordance with Canadian GAAS and if this report were prepared in accordance with Canadian GAAS it would not contain a reservation.

An audit report issued in accordance with Canadian GAAS does not require the Emphasis of Matter paragraph that is included in the United Kingdom Independent Auditors' Report for the year ended 31 December 2007 given above. In all other respects, there are no material differences in the form and content of the above noted auditors' report.

PKF (UK) LLP
London, UK
30 March 2008

African Copper Plc
Consolidated income statement

	Note	Year ended 31 December	
		2007 £'000	2006 £'000
Administrative expenses		(2,738)	(1,581)
Loss on derivative financial instruments		(406)	-
Exchange gain/(loss)		276	(2,103)
Operating loss	4	(2,868)	(3,684)
Finance income			
Bank interest receivable		2,985	1,646
Profit/(loss) before tax		117	(2,038)
Tax		-	(62)
Profit/(loss) after tax		117	(2,100)
<hr/>			
Basic earnings/(loss) per ordinary share	7	0.09p	(2.20)p
Diluted earnings/(loss) per ordinary share	7	0.09p	(2.20)p

The notes on pages 41 to 63 are an integral part of these consolidated financial statements.

**African Copper Plc
Balance Sheets**

	Note	Group As at 31 December		Company As at 31 December	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
ASSETS					
Property, plant and equipment	8	48,248	13,964	1,171	1,043
Deferred exploration costs	9	4,322	2,007	84	-
Other financial assets	10	4,167	-	-	-
Long term receivables	12	-	-	6,826	16,986
Investments in subsidiaries	13	-	-	57,209	9,496
Total non-current assets		56,737	15,971	65,290	27,525
Other receivables and prepayments	15	1,903	648	100	438
Derivative financial assets	11	1,841	-	1,841	-
Cash and cash equivalents	16	22,428	53,254	18,840	51,157
Total current assets		26,172	53,902	20,781	51,595
Total assets		82,909	69,873	86,071	79,120
EQUITY					
Issued share capital	17	1,396	1,305	1,396	1,305
Share premium		76,947	69,844	76,947	69,844
Merger reserve		-	-	8,607	8,607
Acquisition reserve		4,485	4,485	-	-
Foreign currency translation reserve		(1,207)	(1,979)	-	-
Hedging reserves		(812)	-	(812)	-
Retained losses		(4,843)	(5,687)	(329)	(829)
Total equity		75,966	67,968	85,809	78,927
LIABILITIES					
Asset retirement obligation	19	464	-	-	-
Total non-current liabilities		464	-	-	-
Trade and other payables	20	6,479	1,905	262	193
Total current liabilities		6,479	1,905	262	193
Total equity and liabilities		82,909	69,873	86,071	79,120

The notes on pages 41 to 63 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2008 and signed on their behalf by:

Director *"Joe Hamilton"*

Director *"Bradley Kipp"*

African Copper Plc
Group consolidated statement of changes in shareholders' equity

		Share Note Capital £'000	Share Premium £'000	Acquisition Reserve £'000	Foreign Currency Translation Reserve £'000	Hedging Reserve £'000	Retained Loss £'000	Total Equity £'000
Balance at 1 January 2006		520	16,158	4,485	(315)	-	(4,579)	16,269
Foreign exchange adjustments		-	-	-	(1,664)	-	-	(1,664)
Total recognized income and expense recognized directly in equity		-	-	-	(1,664)	-	-	(1,664)
Loss for the year	4	-	-	-	-	-	(2,100)	(2,100)
Total recognised loss for the year		-	-	-	(1,664)	-	(2,100)	(3,764)
New share capital subscribed		785	58,702	-	-	-	-	59,487
Share issue costs		-	(5,016)	-	-	-	-	(5,016)
Credit arising on share options		-	-	-	-	-	992	992
Balance at 31 December 2006		1,305	69,844	4,485	(1,979)	-	(5,687)	67,968
Foreign exchange adjustments		-	-	-	772	-	-	772
Fair value loss on cash flow hedge instruments		-	-	-	-	(812)	-	(812)
Total recognized income and expense recognized directly in equity		-	-	-	772	(812)	-	(40)
Gain for the year		-	-	-	-	-	117	117
Total recognised gain/(loss) for the year		-	-	-	772	(812)	117	76
New share capital subscribed	17	91	7,509	-	-	-	-	7,600
Share issue costs		-	(406)	-	-	-	-	(406)
Credit arising on share options		-	-	-	-	-	727	727
Balance at 31 December 2007		1,396	76,947	4,485	(1,207)	(812)	(4,843)	75,966

The notes on pages 41 to 63 are an integral part of these consolidated financial statements.

African Copper Plc
Company statement of changes in shareholders' equity

	Note	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Hedging Reserve	Retained Profit/(Loss) £'000	Total Equity £'000
Balance at 1 January 2006		520	16,158	8,607	-	124	25,409
Loss for the year	4	-	-	-	-	(1,664)	(1,664)
Total recognised loss for the year		-	-	-	-	(1,664)	(1,664)
New share capital subscribed		785	58,702	-	-	-	59,487
Share issue costs		-	(5,016)	-	-	-	(5,016)
Credit arising on share options		-	-	-	-	711	711
Balance at 31 December 2006		1,305	69,844	8,607	-	(829)	78,927
Fair value loss on cash flow hedge instruments		-	-	-	(812)	-	(812)
Total recognized income and expense recognized directly in equity		-	-	-	(812)	-	(812)
Loss for the year		-	-	-	-	(8)	(8)
Total recognised gain/(loss) for the year		-	-	-	(812)	(8)	(820)
New share capital subscribed	17	91	7,509	-	-	-	7,600
Share issue costs		-	(406)	-	-	-	(406)
Credit arising on share options		-	-	-	-	508	508
Balance at 31 December 2007		1,396	76,947	8,607	(812)	(329)	85,809

The notes on pages 41 to 63 are an integral part of these consolidated financial statements.

African Copper Plc
Group consolidated cash flow statement

	Note	Year ended 31 December	
		2007 £'000	2006 £'000
Cash flows from operating activities			
Administration expenses		(2,738)	(1,581)
Tax		-	(62)
Operating loss from continuing operations		(2,738)	(1,643)
Increase in receivables		(1,255)	(421)
Increase/(decrease) in payables		69	(5)
Share based payment expense		519	562
Tax		-	62
Cash used in operating activities		(3,405)	(1,445)
Interest received		2,986	1,646
Net cash (outflow)/inflow from operating activities		(419)	201
Cash flows from investing activities			
Payments to acquire property, plant and equipment	8	(28,335)	(3,805)
Payments of deferred exploration expenditures	9	(2,315)	(6,186)
Purchase of cash flow hedging instruments	11	(3,060)	-
Cash placed on restricted deposit	10	(4,167)	-
Net cash outflow from investing activities		(37,877)	(9,991)
Cash flows from financing activities			
Issue of equity share capital, net of issue costs		7,030	52,948
Issue of equity upon exercise of warrants		-	1,378
Issue of equity upon exercise of options		164	145
Net cash inflow from financing activities		7,194	54,471
Net (decrease)/increase in cash and cash equivalents		(31,102)	44,681
Cash and cash equivalents at beginning of the year		53,254	10,676
Exchange gain/(loss)		276	(2,103)
Cash and cash equivalents at end of the year	16	22,428	53,254

The notes on pages 41 to 63 are an integral part of these consolidated financial statements.

African Copper Plc
Company cash flow statement

	Note	Year ended 31 December	
		2007 £'000	2006 £'000
Cash flows from operating activities			
Operating loss from continuing operations		(2,083)	(1,664)
Decrease/(increase) in receivables		338	(333)
Increase/(decrease) in payables		70	(5)
Share based payment expense		438	562
Cash used in operating activities		(1,237)	(1,440)
Interest received		2,206	2,056
Net cash inflow from operating activities		969	616
Cash flows from investing activities			
Decrease/(Increase) in loans to subsidiaries		-	(12,219)
Payments to acquire property, plant and equipment	8	(58)	(150)
Payments of deferred exploration expenditures	9	(84)	-
Purchase of shares in subsidiary company	12	(37,554)	-
Purchase of derivative financial instruments	11	(3,060)	-
Net cash outflow from investing activities		(40,756)	(12,369)
Cash flows from financing activities			
Issue of equity share capital, net of issue costs		7,030	52,948
Issue of equity upon exercise of warrants		-	1,378
Issue of equity upon exercise of options		164	145
Net cash inflow from financing activities		7,194	54,471
Net increase/(decrease) in cash and cash equivalents		(32,593)	42,718
Cash and cash equivalents at beginning of the year		51,157	10,542
Exchange gain/(loss)		276	(2,103)
Cash and cash equivalents at end of the year	16	18,840	51,157

The notes on pages 41 to 63 are an integral part of these consolidated financial statements.

1. Nature of operations, going concern and adequacy of project finance

African Copper Plc (“African Copper” or the “Company”) is a public limited company incorporated and domiciled in England and is listed on the AIM market of the London Stock Exchange, the Toronto Stock Exchange and the Botswana Stock Exchange. African Copper is a 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 developing its first copper mine at the Mowana Mine”) and is conducting an exploration programme at the Matsitama Project. The Mowana Mine is located in the northeastern portion of Botswana and the Matsitama Project is contiguous to the southern boundary of the Mowana Mine.

On 28 March 2008, Messina Copper (Botswana) (Pty) Ltd (“Messina”), African Copper’s 100% owned subsidiary, received binding subscription agreements as part of a BWP200 million Botswana Note Programme for BWP150.0 million (£11.4 million) notes from local Botswana institutions (the “Botswana Bond”). The Botswana Bond is denominated in Pula and is an unsecured fixed rate note that bears interest at 14.0% per annum and has a bullet maturity in 7 years. The company has also raised approximately £5million in additional equity since the year end. In addition, to provide the Company with additional operational flexibility management is in advanced discussions with several financial institutions regarding the establishment of a revolving working capital and hedging facility for the Mowana Mine.

The Board has reviewed the detailed financial mine plan and consider that with the additional financial resources secured and the nearness of anticipated production, the Company has sufficient financial resources to commence production at the Mowana Mine and adequate working capital for the foreseeable future, being a period of not less than twelve months from the date of signing these financial statements. In the event of operational cost overruns or delays, they believe the Company has adequate flexibility to manage expenditures. The Directors therefore consider it appropriate to prepare these financial statements on a going concern basis.

As more fully explained in Management’s Discussion and Analysis management intend to complete development of the open pit mining operations with the addition of a DMS plant to the processing plant, further evaluate developing the underground portion of the mine at Mowana and continue with the Matsitama exploration project. Further project finance may be required to complete these and if the Company is unable to secure the further finance required, the Company may not be able to fully develop these projects and their carrying values and the investment of the parent company may become impaired.

The address of African Copper’s registered office is 100 Pall Mall, St James’s London SW1Y 5HP. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

a) Statement of Compliance

The consolidated financial statements of African Copper plc have been prepared in accordance with IFRSs and their interpretations adopted by the International Accounting Standards Board (IASB), as adopted by the European Union and with IFRSs and their interpretations adopted by the International Accounting Standards Board (IASB). They have also been prepared in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRSs.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

As permitted by section 230 of the Companies Act 1985, the income statement of the Company has not been presented in these financial statements.

b) Basis of preparation

The consolidated financial statements of African Copper are presented in Pounds Sterling and have been prepared on the historical cost basis or the fair value basis for certain financial instruments.

c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognized where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

(ii) Transactions eliminated on consolidation

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(iii) Business combinations

On entering into a business combination, an acquirer is identified based on the identity of the entity which gains control of the combining entities.

The assets, liabilities and contingent liabilities of the acquiree are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the consideration is less than the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement.

d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentation currency and the functional currency of the Company.

(ii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- ◇ assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ◇ income and expenses for each income statement are translated at average exchange rates

(unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- ◇ all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

e) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortisation and less any accumulated impairment losses. Pre-production expenditure relating to testing and commissioning is capitalised to property, plant and equipment. The recognition of costs in the carrying amount of an asset ceases when the item is in the location and condition necessary to operate as intended by management. Any net income earned while the item is not yet capable of operating as intended reduces the capitalised amount. Interest on borrowings, specifically to finance the establishment of mining assets, is capitalised during the construction phase.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Amortization methods and amortization rates are applied consistently within each asset class except where significant individual assets have been identified which have different amortisation patterns. Residual values are reviewed at least annually. Amortisation is not adjusted retrospectively for changes in the residual amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Other assets consist of vehicles, information technology equipment and furniture and equipment.

Mining development and infrastructure

Individual mining assets and deferred stripping costs are amortised using the units-of-production method based on the estimated economically recoverable metal during the life of mine plan. Mining costs incurred on development activities comprising the removal of waste rock to initially expose ore at the Mowana open pit mine, commonly referred to as "deferred stripping costs," are capitalized.

Mining plant and equipment

Individual mining plant and equipment assets are depreciated using the straight line method over the useful life of the asset once the assets are available for use.

Other Assets

These assets are depreciated using the straight line method over the useful life of the asset as follows:

- Vehicles 4 years
- Information technology 3 years
- Furniture & equipment 5 years

f) Deferred exploration and evaluation

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

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. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

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 (see accounting policy note below) 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 Group's intentions for development of the undeveloped property.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposal thereof.

g) Other receivables and prepayments

Other receivables and prepayments are not interest bearing and are stated at amortised cost.

h) Derivative financial instruments

Copper forward exchange contracts are entered into to hedge anticipated future transactions.

Derivative financial instruments are initially recognised in the balance sheet at the fair value on the date of acquisition and subsequently remeasured at fair value. The method of recognising the resulting gain or loss is dependant on the nature of the item being hedged. On the date that the derivative contract is entered into, the group designates derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction or a firm commitment (cash flow hedge). Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognised in equity. Changes in the fair value of derivatives that are designated as fair value hedges are recognised in the income statement. Certain derivative transactions, while providing effective economic hedges under group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the income statement.

i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

j) Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances apply:

- (i) unexpected geological occurrences that render the resource uneconomic;

- (ii) title to the asset is compromised;
- (iii) variations in metal prices that render the project uneconomic; and
- (iv) variations in the currency of operation.

k) Share based payment

Certain Group employees and consultants are rewarded with share based instruments. These are stated at fair value at the date of grant and either expensed to the income statement or capitalized to deferred exploration costs, based on the activity of the employee or consultant, over the vesting period of the instrument.

Fair value is estimated using the Black-Scholes valuation model. The estimated life of the instrument used in the model is adjusted for management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

l) Provisions

Provisions are recognized when, the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of the resources will be required to settle the obligation and the amount can be reliably estimated.

m) Trade and other payables

Trade and other payables are not interest bearing and are stated at amortized cost.

n) Income tax

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss, and is accounted for using the balance sheet method.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

o) Asset retirement obligations

Asset retirement obligations are future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site. The asset retirement cost is capitalised as part of the asset's carrying value and amortized over the asset's useful life. Subsequent to the initial recognition of the asset retirement obligation and associated asset retirement cost and changes resulting from a revision to either timing or the amount estimated, cash flows are prospectively reflected in the year those estimates change. The liability is accreted over time through period charges to the Consolidated Income Statement.

p) Investment in subsidiaries

Investments in subsidiaries are recognised at cost less any provision for impairment.

q) Revenue

i) Interest income

Interest income is recognised as it accrues to the Company.

r) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on managements' best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements.

Information about such judgements and estimation is contained in the accounting policies and/or the Notes to the financial statements, and the key areas are summarised below. Areas of judgement that have the most significant effect on the amounts recognized in the financial statements:

Capitalisation and impairment of exploration and evaluation costs – Note 2(j) and Note 9

Estimation of share based compensation amounts – Note 2(k) and Note 18

Estimation of derivative financial assets – Note 2(h) and Note 11

s) Adoption of International Financial Reporting Standards

The financial statements are prepared in accordance with International Reporting Standards and Interpretations in force at the reporting date. The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board, but have not been adopted will have a material impact on the financial statements.

During the year, the Group applied IFRS 7, "Financial instruments: disclosure" and the capital management disclosures of IAS 1 (Revised) "Presentation of financial statements" for the first time. The disclosures required by these standards are set out in note 23. There was no other effect from the adoption of these standards.

3. Group Segment reporting

A business segment is a component of the Group distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and returns that are different from those of other business segments. The Group's only business segment is the exploration for, and the development of copper and other base metal deposits. The Group also reports by geographical segment. All the Group's activities are related to the exploration for, and the development of copper and other base metals in Botswana with the support provided from the UK. In presenting information on the basis of geographical segments, segment assets and the cost of acquiring them are based on the geographical location of the assets. Segment capital expenditure is the total cost incurred during the period to acquire segment assets based on where the assets are located. There was no Group turnover during the year (31 December 2006:£nil).

	2007 £'000	2006 £'000
Total assets		
Botswana	60,470	16,424
UK	22,439	53,449
Total	82,909	69,873

Capital expenditure on property, plant and equipment

Botswana	34,452	3,805
UK	128	-
Total	34,580	3,805

Capital expenditure on deferred exploration

Botswana	2,263	5,825
UK	84	350
Total	2,347	6,175

4. Loss on operations before tax

	2007	2006
	£'000	£'000
Loss on ordinary activities is stated after charging:		
Depreciation	-	115
Exchange differences	-	(2,103)
Auditors remuneration:		
- Audit fee	49	48
Fees payable to the auditor for other services:		
- Audit of accounts of associates of the Company pursuant to legislation	11	13
- Other services pursuant to legislation	-	8
- Other services relating to tax	14	30
- Other services relating to corporate finance	-	60
- All other services	3	1

5. Staff numbers and costs-

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

Group	Number of Employees	Number of Employees
	2007	2006
Finance and administration	15	7
Technical and operations	34	22
	49	29

The aggregate payroll costs of these persons were as follows:

	2007	2006
	£'000	£'000
Wages and salaries	1,694	818
Benefits	428	61
Share based payments	620	955
	2,742	1,834

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

Company	Number of Employees 2007	Number of Employees 2006
Finance and administration	4	2
Technical and operations	1	1
	5	3

The aggregate payroll costs of these persons were as follows:

	2007 £'000	2006 £'000
Wages and salaries	678	389
Share based payments	450	755
	1,128	1,144

Remuneration of directors and other key management personnel

2007	Directors Fees £'000	Basic annual remuneration £'000	Other benefits £'000	Total remuneration £'000
Directors:				
R D Corrans	20	-	-	20
D Jones	21	127	-	148
J A Hamilton	-	175	-	175
B R Kipp	-	94	-	94
A J Williams	14	-	-	14
M J Evans	13	-	-	13
Total directors' remuneration	68	396	-	464
Non-directors	-	426	149	575
Share based payments	-	-	-	647
Total	68	822	149	1,686

A director exercised share options during the year realizing a gain of £122,500 at the date of exercise. At 30 March 2008 the director had sold 250,000 of the 350,000 shares. The gain attributable to the highest paid director was nil.

2006	Directors Fees £'000	Basic annual remuneration £'000	Other benefits £'000	Total remuneration £'000
Directors:				
R D Corrans	20	-	-	20
D Jones		128	-	128
J A Hamilton	-	176	-	176
B R Kipp	-	85	-	85
A J Williams	14	-	-	14
M J Evans	13	-	-	13
R M Whyte	9	-	-	9
Total directors' remuneration	56	389	-	445
Non-directors	-	189	24	213
Share based payments				912
Total	56	578	24	1,570

6. Income tax expense

Factors affecting the tax charge for the current period

The tax credit for the period is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK – 30% (2006:30%)

	2007 £'000	2006 £'000
Tax reconciliation		
Profit/(Loss) on ordinary activities before tax	117	(2,038)
Tax at 30% (2006: 30%)	(35)	(611)
Effects (at 30%) of:		
Expenses not deductible for tax purposes	50	150
Deferred tax asset not recognised	681	489
Expenses previously not deductible now allowed	(598)	
Credit in respect of overseas taxation	-	(19)
Irrecoverable withholding tax	-	62
Lower tax rates on overseas losses	-	(9)
Loss brought forward and utilised	(168)	
Tax charge	-	62

Unrecognized deferred tax assets and liabilities

	2007 £'000	2006 £'000
Losses	14,873	4,790
Arising on share options	-	38
Accelerated capital allowances	(14,278)	(4,521)
Net deferred tax asset not recognized	595	307

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at December 31, 2007, the Group did not recognize deferred tax assets of £595,000 (2006: £307,000) in respect of losses because there is insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

The Group's tax losses have no fixed expiry date.

7. Basic and diluted earnings/(loss) per share

The calculation of basic gain per ordinary share on the net basis is based on the profit on ordinary activities after taxation of £117,409 (2006: loss of £2,100,884) and on 135,371,319 (2006: 95,516,505) ordinary shares being the weighted average number of ordinary shares in issue and ranking for dividend during the year. During 2006 no diluted loss per share was presented as the effect of the exercise of share options would be to decrease the loss per share. During 2007 the calculation of diluted gain per ordinary share on the net basis is based on the gain of ordinary activities after taxation of £117,409 and on 135,640,296 ordinary shares derived as follows:

Basic number of shares	135,371,319
Effect of dilutive share options	268,977
Diluted number of shares	135,640,296

Details of share options in issue that could potentially dilute earnings per share in the future are shown in note 17.

8. Property, Plant and Equipment

Group	Mine Development and Infrastructure £'000	Mine Plant and Equipment £'000	Other Assets £'000	Total £'000
Cost				
Balance at 1 January 2006	-	-	162	162
Reclassification from Deferred Exploration	10,395	241	-	10,636
Additions	3,322	146	337	3,805
Exchange adjustments	(458)	-	(32)	(490)
Balance at 31 December 2006	13,259	387	467	14,113

Balance at 1 January 2007	13,259	387	467	14,113
Additions	32,376	-	2,204	34,580
Exchange adjustments	(150)	(5)	(6)	(161)
Balance at 31 December 2007	45,485	382	2,665	48,532
<u>Depreciation and impairment losses</u>				
Balance at 1 January 2006	-	-	(42)	(42)
Depreciation charge for the year	-	-	(115)	(115)
Exchange adjustments	-	-	8	8
Balance at 31 December 2006	-	-	(149)	(149)
Balance at 1 January 2007	-	-	(149)	(149)
Depreciation charge for the year	-	-	(137)	(137)
Exchange adjustments	-	-	2	2
Balance at 31 December 2007	-	-	(284)	(284)
<u>Carry amounts</u>				
Balance at 1 January 2006	-	-	120	120
Balance at 31 December 2006	13,259	387	318	13,964
Balance at 1 January 2006	13,259	387	318	13,964
Balance at 31 December 2007	45,485	382	2,381	48,248

Company	Mine Development and Infrastructure £'000	Computer and Office Equipment £'000	Total £'000
<u>Cost</u>			
Balance at 1 January 2006	-	-	-
Reclassification from Deferred Exploration	688	-	688
Additions	349	6	355
Balance at 31 December 2006	1,037	6	1,043
Additions	113	15	128
Balance 31 December 2007	1,150	21	1,171

9. Deferred exploration costs

Group	£'000
<u>Cost</u>	
Balance at 1 January 2006	7,159
Additions	6,175
Exchange adjustments	(691)
Reclassification to Mine Development and Infrastructure	(10,636)

Balance 31 December 2006	2,007
Additions	2,347
Exchange adjustments	(32)
Balance 31 December 2007	4,322

Company	£'000
Cost	
Balance at 1 January 2006	688
Additions	-
Reclassification to Mine Development and Infrastructure	(688)
Balance 31 December 2006	-
Additions	84
Balance 31 December 2007	84

Impairment loss

During the year the Group and Company did not recognize any provision for impairment against any of its deferred exploration assets

10. Other Non-Current Assets

	31 December 2007 £'000	31 December 2006 £'000
Group		
Bank guarantee	4,167	-

50 million Botswana Pula has been lodged in favour of Moolman Mining Botswana (Pty) Ltd. ("Moolman") under the terms of a bank guarantee. As part of the Moolman 5-year mining contract (the "Contract") for the Mowana Mine in Botswana, the Company's subsidiary was required to obtain a bank guarantee in support of certain payment obligations in the Contract. Within 21 days of Moolman receiving final payment of all monies owing under the Contract the payment guarantee ceases.

11. Derivative Financial Assets

	31 December 2007 £'000	31 December 2006 £'000
Company and Group		
Copper put contracts designated as a cash flow hedge	1,383	-
Copper put contracts designated as fair value through profit and loss	458	-
Total Derivative Financial Assets	1,841	-

12. Company long term receivables

	£'000
Loans to Subsidiary undertakings	
Balance at 1 January 2006	4,767
Additions	12,219
Balance 31 December 2006	16,986
Additions	37,553
Conversion of intercompany debt to equity	(47,713)
Balance 31 December 2007	6,826

13. Company - Investments in subsidiaries

	£'000
Balance 1 January 2006 and 31 December 2006	9,496
Conversion of Intercompany Debt to Equity*	47,713
Balance 31 December 2007	57,209

*During 2007 the Company converted intercompany loans payable from its wholly-owned subsidiary Messina Copper (Botswana) Pty Ltd to equity.

14. Subsidiary undertakings

	Country of incorporation and operation	Physical activity	Holding of equity shares 2007	Holding of equity shares 2006
Mortbury Limited	British Virgin Islands	Investment	100%	100%
Messina Copper (Botswana) (Pty) Limited *	Botswana	Development	100%	100%
Matsitama Minerals (Pty) Limited *	Botswana	Exploration	100%	100%

* indirectly held

15. Other receivables and prepayments

	Group		Company	
	Year ended 31 December 2007	2006	Year ended 31 December 2007	2006
	£'000	£'000	£'000	£'000
VAT receivable	1,600	440	12	241
Interest receivable	71	115	4	115
Prepayments and other receivables	232	93	84	82
	1,903	648	100	438

16. Cash and cash equivalents

Group	2007	2006
	£'000	£'000
Cash at bank	136	421
Short-term bank deposits	22,292	52,833
Cash and cash equivalents in the statement of cashflows	22,428	53,254

Company	2007	2006
	£'000	£'000
Cash at bank	38	329
Short-term bank deposits	18,802	50,828
Cash and cash equivalents in the statement of cashflows	18,840	51,157

17. Share Capital

	No. of shares	£'000
Authorised		
At 31 December 2005 and 31 December 2006		
Ordinary shares of 1p each	495,000,000	4,950
Redeemable preference shares of £1 each	50,000	50
Issued:		
Balance at 1 January 2006	52,033,155	520
Ordinary shares issued on June 2006 placement	75,000,000	750
Ordinary shares issued on exercise of warrants	2,474,030	25
Ordinary shares issued on exercise of options	1,000,000	10
Balance at 31 December 2006	130,507,185	1,305
Ordinary shares issued on Botswana private placement	8,367,772	84
Ordinary shares issued on exercise of options	700,000	7
Balance at 31 December 2007	139,574,957	1,396

Shares issued

During 2006, a total of 78,474,030 ordinary shares were issued for net cash consideration of £53,641,555 from the following:

- (i) public placement that raised 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.
- (ii) exercise of 2,474,030 warrants to purchase ordinary shares of 1p of the Company at 52.5p.
- (iii) 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.

During 2007, a total of 9,067,772 ordinary shares were issued for net cash consideration of £7,194,078 from the following:

- (i) On 29 March 2007 a total of 700,000 ordinary shares were issued for net cash consideration of £163,961 from the exercise of 350,000 share options to purchase ordinary shares of the Company at Can\$0.25 each and 350,000 share options to purchase ordinary shares of the Company at 35p each. These share options were options originally granted under the Mortbury Limited option plan.
- (ii) On 25 June 2007, a total of 8,367,772 ordinary shares were issued at a price of 11 Botswana Pula (approximately £0.89 and C\$1.89) per ordinary share, raising total gross proceeds of 92,045,492 Botswana Pula (approximately £7.4 million). The Company paid a capital raising fee in cash to Capital Corporate Finance (Pty) Ltd. (Gaborone, Botswana) equal to 5% (exclusive of taxes) of the proceeds raised pursuant to the private placement.

On 8 February 2008, a total of 7,284,000 ordinary shares at a price of £0.70 per ordinary shares, raising total net proceeds of £5,098,800. This private placement was completed as part of the finalization of a comprehensive off-take agreement for the Mowana Mine concentrates.

Share options and warrants

<i>Share Options Held at 31 December 2007</i>	<i>Share Options Held at 31 December 2006</i>	<i>Date of Grant</i>	<i>Option Price per Share</i>	<i>Exercise Period</i>
-	350,000	29 March 1999	Can\$0.25	up to 29 March 2007
-	350,000	5 April 2004	£0.35	up to 31 March 2007
500,000	500,000	23 September 2004	£0.35	up to 23 September 2014
675,000	700,000	12 November 2004	£0.76	up to 12 November 2014
-	499,872	12 November 2004	£0.836 from admission until two years following admission date. £0.912 from that date until three years following admission date.	up to 3 years following admission.
1,500,000	1,500,000	5 January 2005	£0.76	up to 5 January 2015
-	100,000	25 April 2005	£0.76	up to 25 April 2015
-	300,000	1 September 2005	£0.76	up to 1 February 2015
90,000	120,000	1 September 2005	£0.76	up to 14 March 2015
240,000	240,000	12 November 2005	£0.76	up to 12 November 2015
6,860,000	7,310,000	1 August 2006	£0.775	up to 1 August 2016
400,000	400,000	11 September 2006	£0.775	up to 11 September 2016
200,000	200,000	30 November 2006	£0.775	up to 30 November 2016
750,000	750,000	29 December 2006	£0.775	up to 29 December 2016
200,000	-	29 March 2007	£0.775	Up to 29 March 2017
11,415,000	13,319,872			

Acquisition reserve

The acquisition reserve comprises the difference between the issued equity of Mortbury Limited at the date of the reverse acquisition of the Company by Mortbury Limited and the par value of shares issued by the Company in the share exchange, together with the fair value of equity issued to repurchase the Mortbury preference shares in issue. As such, the acquisition reserve is a component of the issued equity of the Group.

Foreign currency translation reserve

Merger reserve

As permitted by the Companies Act 1985, the merger reserve represents the premium on shares issued to acquire the share capital of Mortbury Limited.

Dividends

The directors do not recommend the payment of a dividend.

Capital Management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. During 2006 and 2007 the Group's capital was sourced from equity (ie ordinary share and share premium). During 2008 the Group's strategy changed to increase the debt-to-adjusted capital ratio resulting primarily from the increase in net debt that occurred on 28 March 2008 from the Botswana Pula 150 million Note Programme (Note 24 – Subsequent Events)

	At 31 March 2008 £'000	At 31 December 2007 £'000	At 31 December 2006 £'000
Total interest bearing debt	-	-	-
Total equity	-	75,966	67,968
Debt-to-equity ratio	-	-	-

18. Share based payments

African Copper 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 the vesting period is generally up to 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 employee leaves the Company. In 2005 all options were granted at 76p and in 2006 and 2007 all options were granted at 77.5p.

As part of the acquisition of Mortbury Limited in 2004, 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 option 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 ranging in exercise prices from 11p to 35p resulting in a weighted average

exercise price of 17p. All Mortbury options that were exercisable at the date of acquisition were exercised on 29 March 2007.

As part of admission to the AIM market of the London Stock Exchange, the Company issued its Nominated Advisor an option to subscribe for 499,872 ordinary shares at a price of 83.6p (the "Underwriters Options") for two years following 12 November 2004 (date of admission) and at a price of 91.2p for the third year of the exercise period. All Underwriters Options expired without being exercised.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price in £ per share	Options	Weighted average exercise price in £ per share	Options
At 1 January	73p	13,319,872	55p	5,659,872
Granted	77.5p	200,000	77.5p	8,660,000
Forfeited	77p	(1,404,872)	-	-
Exercised	23p	(700,000)	14p	(1,000,000)
At 31 December	76p	11,415,000	73p	13,319,872
Exercisable at the end of the year	74p	10,056,666	70p	7,229,872

The weighted average share price on the date of exercise of the 700,000 share options was 68.0p. In arriving at the fair value, each option grant was valued separately using the Black-Scholes model. The weighted average fair value of options granted during the year was 77.5p (2006: 77.5p).

The assumptions used were as follows:

	2007	2006
Weighted average share price	68p	73p
Weighted average exercise prices	77.5p	77.5p
Expected volatility	41%	34%
Expected life	5 years	5 years
Risk free rate	5.0%	4.5%
Expected dividends	none	none

Expected volatility was determined by calculating the historical volatility of the Company's share price since it was listed on the AIM market of the London Stock Exchange in November 2004. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The total expense in respect of share based payments for the year was £728,115 (2006: £991,642), of which £518,657 (2006:£562,199) was recorded as an expense in the income statement and £209,458 (2006: £429,443) was capitalised as part of deferred exploration costs.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in £ per share	Shares	
		2007	2006
2007	49p	-	1,199,872
2014	59p	1,175,000	1,200,000
2015	76p	1,830,000	2,260,000
2016	77.5p	8,210,000	7,310,000
2017	77.5p	200,000	1,350,000
	73p	11,415,000	13,319,872

The weighted average remaining contractual life of the outstanding options at 31 December 2007 was 8.22 years (2006:8.68 years).

19. Asset retirement obligations

The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 December 2007 is £464,078 (2006 - £nil). Although the ultimate amount to be incurred is uncertain, the independent Environmental Impact Statement, completed on the Mowana Mine by Water Surveys Botswana (Pty) Limited in September 2006, using an assumption that mining continues to 2023, estimated the undiscounted cost to rehabilitate the Mowana Mine site of 24.3 million Botswana Pula.

Under the terms of the Mining Licence, by the end of the first financial year in which copper is produced and sold, the Company must establish a trust fund to provide for rehabilitation of the Mowana Mine site once the mine closes. The Company will annually make contributions to this fund over the life of the mine so that these capital contributions together with the investment income earned will cover the anticipated costs. At the end of each financial year the Company will reassess the estimated remaining life of mine as well as the cost to rehabilitate the mine site and adjust its annual contributions accordingly.

20. Trade and other payables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade payables	1,511	548	120	100
Amounts due to related parties (Note 22)	41	39	14	36
Withholding taxes	111	204	-	-
Accrued expenses and other payables	4,816	1,114	128	57
	6,479	1,905	262	193

21. Commitments

The majority of the Company's contractual obligations relate to commitments in respect of development expenditures for the completion of construction at the Mowana Mine and termination payments to the mining contractor at the Mowana Mine should the Company terminate the mining contract early. In respect of this mining contract, the Company's subsidiary was required to obtain a bank guarantee in support of certain payment obligations in the mining contract. (See Note 10 – Other Non-Current Assets). At 31 December 2007 the Company's subsidiary holds a bank guarantee of £4.2 million (50 million Botswana Pula) in respect of these payment obligations.

At 31 December 2007, commitments under such agreements total £18.9 million:

Contractual Obligations	Total £'000	2008 £'000	2009 £'000	2010 £'000
Goods, services and long lead equipment ^(a)	14,614	14,614	-	-
Mining contract ^(b)	3,356	3,356	-	-
Matsitama exploration licences ^(c)	777	775	1	1
Lease agreements ^(d)	136	121	15	-
	18,883	18,866	16	1

- (e) The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services and long-lead time equipment. The primary commitments relate to the engineering, procurement, construction and management contract ("EPCM") for the construction of the flotation concentrator and related housing and mine facilities at the Mowana Mine.
- (f) In the event of the optional termination of the Moolman Mining Botswana (Pty) Ltd. mining contract by the Company, a maximum early termination payment of approximately £2.6 million, which payment may be reduced, depending upon the number of months notice given, to £nil upon 6 months notice, together with demobilization charges would be payable.
- (g) Under the terms of the Company's prospecting licences Matsitama is obliged to incur certain minimum expenditures.
- (h) The Company has entered into agreements for lease premises for various periods until 30 August 2009.

22. Related party transactions

The following amounts were paid to companies in which directors of the group have an interest and were incurred in the normal course of operations and are recorded at their exchange amount;

	2007 £'000	2006 £'000	Balance Outstanding at 31 December	
			2007 £'000	2006 £'000
Amount paid to the Dragon Group, a group controlled by A.J. Williams, for the provision of fully serviced office accommodation in the UK and reimbursed expenses. Contract ended February 2007.	23	77	9	36
Amount paid to Summit Resource Management Limited, a company controlled by D Jones, for the provision of fully serviced office accommodation in Canada and reimbursed expenses	79	82	5	-
Amount paid to Aegis Instruments, Micromine and MGE Consulting, companies controlled by a director of a subsidiary, in respect of provision of geophysical and geological consulting, administration services and reimbursed expenses	101	35	27	3
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.	165	82	-	-
	368	276	41	39

Loans to Subsidiaries

Balance 1 January 2006	4,767
Amounts advanced to subsidiaries	11,868
Interest charged	351
Balance 31 December 2006	16,986
Amounts advanced to subsidiaries	37,554
Conversion of amounts advanced to equity	(47,714)
Balance 31 December 2007	6,826

The amounts due from subsidiaries at 31 December 2007 have been subordinated in favour of other creditors of those companies.

23. Financial instruments

The Group's principal financial liabilities comprise trade payables, purchase contracts and accrued expenses. The Group has various financial assets such as cash and cash equivalents, VAT and interest receivables and prepayments, which arise directly from its operations. In addition, the Company's financial assets include amounts due from subsidiaries.

The Group has also entered into derivative transactions by purchasing copper put contracts. The contracts are entered into to hedge anticipated future transactions in the Group's underlying business operations.

All of the Group's and Company's financial liabilities are measured at amortised cost and all of the Group's and Company's financial assets are classified as loans and receivables except for the copper put options (see Note 11) which are classified as at fair value through profit or loss, except to the extent that hedge accounting principles are applied.

The board of directors determines, as required, the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts or techniques to mitigate risks. The main market risks for which such instruments may be appropriate are interest rate risk, foreign exchange risk, commodity price risk and liquidity risk each of which is discussed below. It is, and has been throughout 2007 and 2006 the Group's policy that no trading in derivatives shall be undertaken.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cashflows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and the Group does therefore not incur interest on overdue balance.

Foreign exchange risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk as a result of financial assets, future transactions, foreign borrowings, and investments in foreign companies denominated in Botswana Pula.

The Group has not used forward exchange contracts to manage the risk relating to financial assets, future transactions or foreign borrowings. Fluctuations in financial assets, future transactions or foreign borrowings are recognized directly in profit or loss. During 2006 and 2007 the Group purchased South African Rand from time to time to match known future South African Rand transactions relating to the development and construction of the Mowana Mine.

The table below shows the currency profiles of cash and cash equivalents:

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Sterling	11,903	29,021	10,714	26,982
Canadian Dollars	11	16,406	11	16,402
South African Rand	9,950	7,308	8,076	7,301
US Dollars	36	448	36	448
Botswana Pula	525	47	-	-
Euros	3	24	3	24
	22,428	53,254	18,840	51,157

Cash and cash equivalents bear interest at rates based on LIBOR.

As a result of the Group's main assets and subsidiaries being held in Botswana and having a functional currency different than the presentation currency (note 2(d)), the Group's balance sheet can be affected significantly by movements in the £ Pound Sterling to the Botswana Pula. During 2006 and 2007 the Group did not hedge its exposure of foreign investments held in foreign currencies. There is no significant impact on profit or loss from foreign currency movements associated with these Botswana subsidiary assets and liabilities as the effective portion of foreign currency gains or losses arising are recorded through the translation reserve.

The table below shows an analysis of net monetary assets and liabilities by functional currency of group companies:

	2007			2006		
	Sterling	Pula	Total	Sterling	Pula	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	10,657	1,206	11,863	27,501	2,076	29,577
Pula	(3)	2,166	2,163	(1)	(124)	(125)
Canadian Dollars	(52)	(1)	(54)	16,400	-	16,400
South African Rand	8,074	277	8,350	7,301	(367)	6,934
Australian Dollars	-	(1)	(1)	-	(21)	(21)
US Dollars	1,841	(306)	1,535	396	(1,188)	(792)
Euros	3	-	3	24	-	24
Total	20,519	3,341	23,860	51,621	376	51,997

Foreign currency risk sensitivity analysis:

	Profit/Loss		Equity	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
If there was a 10% weakening of Pula against Sterling with all other variables held constant – increase/(decrease)	-	-	(4,806)	(1,366)
If there was a 10% strengthening of Pula against Sterling with all other variables	-	-	5,874	1,669

held constant – increase/(decrease)				
If there was a 10% weakening of Rand against Sterling with all other variables held constant – increase/(decrease)	(714)	(630)	(714)	(630)
If there was a 10% strengthening of Rand against Sterling with all other variables held constant – increase/(decrease)	873	770	873	770

Commodity price risk

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities. The Group is exposed to commodity price risk as its future revenues will be derived based on a contract with a physical off-take partner at prices that will be determined by reference to market prices of copper at the delivery date.

From time to time the Group may manage its exposure to commodity price risk by entering into put contracts or metal forward sales contracts with the goal of preserving its future revenue streams.

On 23 May 2007 the Company purchased copper put options giving the Company the right, but not obligation, to sell up to 5,850 tonnes of copper at a strike price of \$US3.00/lb divided evenly over the period April 2008 to December 2008. The price of copper can affect the viability of the Mowana Mine and Matsitama projects.

At 31 December 2007, it was determined that the forecast production hedged by the put options for the period from April 2008 to June 2008 was no longer likely to occur and hedge accounting ceased for those contracts.

An analysis of the effect of movements in the copper price on the Group and Company's equity is as follows:

	2007	2006
	£'000	£'000
If there was a 10 cent/lb weakening in the copper price – increase/(decrease) on the value of the puts	84	-
If there was a 10 cent/lb strengthening in the copper price – increase/(decrease) on the value of the puts	73	-

There is no profit impact for the above changes

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The Group monitors its risk to a shortage of funds using a recurring cashflow model. This model considers the availability of the Group's financial investments and financial assets (other receivables and other financial assets) and projected cashflows and expenditures from operations. The Group has sufficient cash reserves and banking facilities to meet future capital requirements.

Financial liabilities	Due or due in less than 1 month	Due between 1 to 3 months	Due between 3 months and 1 year	Due between 1 to 5 years
Trade and other payables	5,308	280	610	281

Credit risk

The Group is exposed to credit risk on its cash and cash equivalents and other receivables as set out in Notes 11, 15 and 16, which also represent the maximum exposure to credit risk. The Group only deposits surplus cash with well-established financial institutions of high quality credit standing.

Fair value of financial instruments

The fair value of the Group's and the Company's financial instruments reflect the carrying amounts shown in the balance sheet.

24. Subsequent Events

1. On 25 January 2008 the Company finalized an off-take agreement with MRI Trading AG ("MRI") of Zug, Switzerland. The off-take agreement has a duration of 5 years, is renewable, and covers 100% of all copper products shipped from the Mowana Mine. In conjunction with the off-take agreement, MRI subscribed for 7,284,000 ordinary shares at a subscription price of £0.70 per ordinary share. The private placement closed on 8 February 2008.
2. On 28 March 2008 the Company announced the private placement of Botswana Pula 150 million (£11.4 million) of fixed rate unsecured notes issued by Messina Copper (Botswana) (Pty) Ltd, the Company's wholly-owned subsidiary. The notes have been priced at 14.0 percent with a maturity of 7 years.