



## 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](http://www.africancopper.com) or under the Company's profile on SEDAR at [www.sedar.com](http://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 km<sup>2</sup> 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 floatation 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](http://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](http://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:

<b>Mowana Mine Total Resource Estimate Nov-07</b>			
	<b>Tonnage MT</b>	<b>Copper %</b>	<b>Contained Metal tonnes Cu</b>
Measured	42.45	0.65	275,900
Indicated	45.22	0.76	343,700
<b>Total M&amp;I</b>	<b>87.67</b>	<b>0.71</b>	<b>619,600</b>
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](http://www.africancopper.com) or under the Company's profile on SEDAR at [www.sedar.com](http://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:

<b>Mowana Mine Reserve and Resource Estimate Nov-07</b>			
	<b>Tonnage MT</b>	<b>Copper %</b>	<b>Contained Metal tonnes Cu</b>
Proven	10.82	1.00	108,000
Probable	3.98	1.40	56,000
<b>Total proven &amp; probable</b>	<b>14.80</b>	<b>1.11</b>	<b>164,000</b>
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](http://www.africancopper.com) or under the Company's profile on SEDAR at [www.sedar.com](http://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 km<sup>2</sup> 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](http://www.africancopper.com) and under the Company's profile on SEDAR at [www.sedar.com](http://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](http://www.africancopper.com) or at [www.sedar.com](http://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](http://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 administration 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
<b>Balance at beginning of period:</b>	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)
<b>Ending balance</b>	<b>48,248</b>	<b>48,248</b>

#### **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
<b>Opening balance</b>	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)
<b>Ending balance</b>	<b>413</b>	<b>413</b>

#### **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
<b>Beginning Balance</b>	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
<b>Ending balance</b>	<b>3,909</b>	<b>3,909</b>

### **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:

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

(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, it 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.

	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number</b>	<b>Number</b>
<b>Common shares</b>				<b>146,858,957</b>
<b>Share purchase options</b>	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>	<b>11,215,000</b>

### **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](http://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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