



## **DIRECTORS' REPORT**

The Directors present their report with the consolidated financial statements of the Company for the year ended 31 December 2008.

## **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 loss after taxation for the year was £102,708,984 compared to a gain in 2007 of £117,410.

## **PROPOSED DIVIDEND**

The Directors do not recommend the payment of a dividend for the year (2007: nil).

## **DIRECTORS**

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

R D Corrans	Chairman
J A Hamilton	Chief Executive Officer (Resigned on 12 June 2008)
C R Fredericks	Chief Executive Officer (Appointed on 13 June 2008)
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 16 March 2009, the Company signed an agreement with Natasa Mining Ltd. ("Natasa"), an investment company in the mining finance industry which is listed on the Australian Securities Exchange and on AIM, to assist the Company to meet its immediate and critical working capital requirements. Under the terms of the agreement, Natasa has agreed to make available a short-term, interest-free, secured loan facility of US\$1.5 million (the "Bridge Loan"), to be repaid out of a proposed US\$6.5 million private placement of ordinary shares (the "Equity Placement") and funds advanced to the Company pursuant to a proposed US\$8.5 million debt facility (the "Debt Facility"). The Equity Placement and Debt Facility are also proposed to be provided by Natasa. The Bridge Loan is conditional upon the execution of security documentation over the Group's principal assets, and will be repayable no later than 15 May 2009 (the "Repayment Date"). The Financing will be utilised by African Copper to settle in full its existing liabilities, settle the Bridge Loan and provide at least US\$3 million in working capital. Other than the Debt Facility, following Closing, African Copper will have no debt.

Under the terms of the proposed Equity Placement, Natasa has agreed in principle, subject to the agreement of formal legal documentation, to subscribe for 1,581,557,998 ordinary shares at 0.30 pence per share in African Copper to provide aggregate gross proceeds of £4.7 million (US\$6.5 million) to the Company. Following the issue of new ordinary shares to Creditors described below, the Equity Placement will result in Natasa holding 70% of the enlarged ordinary share capital of the Company. The Equity Placement will be subject to certain conditions precedent including: African Copper shareholder approval;

agreement of legal documentation in relation to the Debt Facility; the delisting of African Copper from the Toronto Stock Exchange; and African Copper and the Company's subsidiaries arranging with its bondholders and certain large creditors, namely the Company's mining and EPCM contractor (together "Creditors"), a compromise of debts (the "Debt for Equity Agreement") such that the Group's liabilities will be extinguished in full leaving a cash balance of at least \$US3.0 million for working capital purposes. It will also be a condition of the Equity Placement and the Debt Facility that all the Directors and officers of the Company resign and be replaced with nominees of Natasa. These nominees will be identified in the Company's information circular to be sent to the Company's shareholders to convene the extraordinary general Meeting of African Copper in connection with the proposed Equity Placement, Debt for Equity Agreement and other matters.

Under the terms of the proposed Debt Facility, Natasa has agreed in principle, subject to the agreement of formal legal documentation, to make available a £6.2 million (US\$8.5 million) loan facility to Messina that will be secured on the Company's principal assets. The Debt Facility will bear interest at 12% per annum on funds drawn, and provides capital and interest repayment from cash generated by the Mowana mine. The Debt Facility will be conditional on the completion of the Equity Placement.

As part of the Debt for Equity Agreement, it is proposed that African Copper will pay to the Creditors the sum of £4.3 million (US\$5.9 million) representing approximately 20 per cent of the amount owed to them. This payment will be funded from the proceeds of the Debt Facility and the Equity Placement. In addition, it is proposed that the Company will issue to the Creditors 530,951,614 new ordinary shares at a deemed price of 3.2 pence per ordinary share pursuant to the Debt for Equity Agreement in satisfaction of the balance of the £17.1 million (US\$23.7 million) owed to them. Such payment and issue of shares will be in full and final settlement of all sums owed to the Creditors and will give to the Creditors an interest of 23.5 per cent of the enlarged ordinary share capital of the Company following the issue of shares pursuant to the Equity Placement.

Following completion of the Equity Placement and the Debt for Equity Agreement, the Company's enlarged issued share capital is expected to comprise 2,259,368,569 ordinary shares to be held as set out below:

Description	Ordinary shares*	% of total following Equity Placement
Existing shares in issue	146,858,957	6.5%
Shares to be issued to Creditors	530,951,614	23.5%
Shares to be issued to Natasa	1,581,557,998	70.0%
Total following Equity Placement and Debt for Equity Agreement	2,259,368,569	100.00%

*Note: \*The Equity Placement and Debt for Equity Agreement are subject to agreement of legal documentation and therefore the number of shares and the price at which they may be issued is subject to change.*

In view of the fact that the Debt Facility and the Equity Placement are subject to the agreement of formal legal documentation, and the fact that the availability of the funds pursuant to the Debt Facility and Equity Placement are subject to a number of conditions precedent, including execution of the Debt for Equity Agreement, no assurance can be given that any funds will be advanced to and/or raised by the Company pursuant to the Debt Facility and/or the Equity Placement.

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

<i>Director</i>	<i>Shares held at 31 December 2008</i>	<i>Shares held at 31 December 2007</i>	<i>Share Options held at 31 December 2008</i>	<i>Share Options held at 31 December 2007</i>	<i>Option Exercise Price</i>	<i>Option Exercise Period</i>
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
C R Fredericks	-	-	750,000	750,000	77.5p	29/12/06 to 29/12/16
B R Kipp	300,000	300,000	-	-	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

There have been no changes in the Directors' interests between 1 January 2009 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 31 March 2009 the Company was aware of the following substantial share interests

	Ordinary shares	%
J P Morgan Asset Management	7,188,300	4.9
MRI Trading AG	7,284,000	5.0
RAB Capital Plc	3,929,810	2.7
Fidelity Investments	4,768,664	3.2
Robert Drisbrow	15,006,010	10.2

## SHARE CAPITAL

On 8 February 2008, a total of 7,284,000 ordinary shares were issued at a price of £0.70 per ordinary share, 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.

## CREDITOR PAYMENT TERMS

Due to the severe reduction in the demand and price for copper worldwide during the fourth quarter of 2008, delays in shipping first concentrate resulting from the delays in commissioning of the Mowana Mine, and the current market volatility and uncertainty, African Copper has been unable to achieve the anticipated cashflow and obtain the required working capital finance for continued operations. The Group does not have sufficient cash or debt facilities to pay its existing liabilities or fund future operations and therefore cannot resume operations at the Mowana Mine and Matsitama Project until funding is secured. As a result the Group needs to negotiate debt settlement agreements with its bond holders and trade creditors and raise at least US\$15 million of additional funding which, if not raised, provides significant doubt over the Group's ability to continue as a going concern and to meet its obligations as they become due and, accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. In response to the Group's working capital deficit the Mowana Mine was placed on care and maintenance on 21 January 2009 pending the finalization of negotiations to obtain the funding. Management has been negotiating creditor payment terms and debt compromise agreements with its creditors. As part of the Equity Placement and Debt Facility it is proposed that African Copper will pay to the Creditors the sum of £4.3 million (US\$ 5.9 million) representing approximately 20 per cent of the amount owed to them. This payment will be funded from the proceeds of the Equity Placement and Debt Facility. In addition it is proposed that the Company will issue to the Creditors 530,951,614 new ordinary shares at a deemed price of 3.2 pence per ordinary share in satisfaction of the balance of the £17.1 million (US\$ 23.7 million) owed to them.

## 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. Chris Fredericks 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 25 to the accounts.

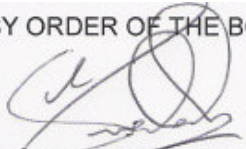
## **POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Group made no political contribution and no charitable donation during fiscal 2008 (2007: £2,500).

## **AUDITORS**

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

BY ORDER OF THE BOARD



Chris Fredericks  
Chief Executive Officer  
31 March 2009

## **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 2008 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 2008 and of its loss 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 2008;
- 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 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 2008 and of its loss for the year then ended.

### **Emphasis of matter – Going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group and the company's ability to continue as a going concern. The group incurred a net loss of £102,709,000 during the year ended 31 December 2008 and, at that date, the group's total liabilities exceeded its total assets by £12,891,000. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

PKF (UK) LLP  
Registered auditors  
London, UK  
31 March 2009

**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 2008 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 2008 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  
31 March 2009

**African Copper Plc**  
**Consolidated income statement**

	Note	Year ended 31 December	
		2008 £'000	2007 £'000
Normal administrative expenses		(3,242)	(2,738)
Gain/(loss) on derivative financial instruments		347	(406)
Exchange (loss)/gain		(612)	276
Impairment of property, plant and equipment	8	(92,438)	-
Impairment of deferred exploration	9	(6,834)	-
<b>Total Administrative Expenses</b>	4	(102,779)	(2,868)
Bank interest receivable		1,359	2,985
Other income		4	-
Interest expense		(1,293)	-
<b>(Loss)/profit before tax</b>		(102,709)	117
Tax		-	-
<b>(Loss)/profit for the year</b>		(102,709)	117
Basic (loss)/earnings per ordinary share	7	(70.47p)	0.09p
Diluted (loss)/earnings per ordinary share	7	(70.47p)	0.09p

The notes on pages 16 to 40 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	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>ASSETS</b>					
Property, plant and equipment	8	12,628	48,248	-	1,171
Deferred exploration costs	9	-	4,322	-	84
Other financial assets	10	197	4,167	-	-
Long term receivables	12	-	-	-	6,826
Investments in subsidiaries	13	-	-	-	57,209
<b>Total non-current assets</b>		<b>12,825</b>	<b>56,737</b>	<b>-</b>	<b>65,290</b>
Other receivables and prepayments	15	1,186	1,903	59	100
Inventories	16	795	-	-	-
Derivative financial assets	11	-	1,841	-	1,841
Cash and cash equivalents	17	1,763	22,428	776	18,840
<b>Total current assets</b>		<b>3,744</b>	<b>26,172</b>	<b>835</b>	<b>20,781</b>
<b>Total assets</b>		<b>16,569</b>	<b>82,909</b>	<b>835</b>	<b>86,071</b>
<b>EQUITY</b>					
Issued share capital	18	1,469	1,396	1,469	1,396
Share premium		81,973	76,947	81,973	76,947
Merger reserve		-	-	8,607	8,607
Acquisition reserve		4,485	4,485	-	-
Foreign currency translation reserve		6,635	(1,207)	-	-
Hedging reserves		-	(812)	-	(812)
Retained losses		(107,453)	(4,843)	(91,568)	(329)
<b>Total equity</b>		<b>(12,891)</b>	<b>75,966</b>	<b>481</b>	<b>85,809</b>
<b>LIABILITIES</b>					
Asset retirement obligation	21	2,426	464	-	-
<b>Total non-current liabilities</b>		<b>2,426</b>	<b>464</b>	<b>-</b>	<b>-</b>
Trade and other payables	22	13,551	6,479	354	262
Interest bearing borrowings	20	13,483	-	-	-
<b>Total current liabilities</b>		<b>27,034</b>	<b>6,479</b>	<b>354</b>	<b>262</b>
<b>Total equity and liabilities</b>		<b>16,569</b>	<b>82,909</b>	<b>835</b>	<b>86,071</b>

The notes on pages 16 to 40 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2009 and signed on their behalf by:

Director *“Chris Fredericks”*

Director *“Bradley Kipp”*

**African Copper Plc**  
**Group consolidated statement of changes in equity**

	Note	Share Capital £'000	Share Premium £'000	Acquisition Reserve £'000	Foreign Currency Translation Reserve £'000	Hedging Reserve £'000	Retained Loss £'000	Total Equity £'000
<b>Balance at 1 January 2007</b>		1,305	69,844	4,485	(1,979)	-	(5,687)	67,968
Foreign exchange adjustments		-	-	-	772	-	-	772
Fair value loss on cash flow hedge		-	-	-	-	(812)	-	(812)
Total recognised income and expense recognized directly in equity		-	-	-	772	(812)	-	(40)
Profit for the year		-	-	-	-	-	117	117
Total recognised income and expense for the year		-	-	-	772	(812)	117	76
New share capital subscribed	18	91	7,509	-	-	-	-	7,600
Share issue costs		-	(406)	-	-	-	-	(406)
Credit arising on share options		-	-	-	-	-	727	727
<b>Balance at 31 December 2007</b>		1,396	76,947	4,485	(1,207)	(812)	(4,843)	75,966
Foreign exchange adjustments		-	-	-	7,842	-	-	7,842
Fair value gain on cash flow hedge instruments		-	-	-	-	2,569	-	2,569
Net loss on cashflow hedge removed from equity and reported in the income statement		-	-	-	-	(1,757)	-	(1,757)
Total recognized income and expense recognised directly in equity		-	-	-	7,842	812	-	8,654
Loss for the year		-	-	-	-	-	(102,709)	(102,709)
Total recognised income and expense for the year		-	-	-	7,842	812	(102,709)	(94,055)
New share capital subscribed	18	73	5,026	-	-	-	-	5,099
Share issue costs		-	-	-	-	-	-	-
Credit arising on share options		-	-	-	-	-	99	99
<b>Balance at 31 December 2008</b>		1,469	81,973	4,485	6,635	-	(107,453)	(12,891)

The notes on pages 16 to 40 are an integral part of these consolidated financial statements.

**African Copper Plc**  
**Company statement of changes in equity**

	Note	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Hedging Reserve	Retained Profit/(Loss) £'000	Total Equity £'000
<b>Balance at 1 January 2007</b>		1,305	69,844	8,607	-	(829)	78,927
Fair value loss on cash flow hedge instruments		-	-	-	(812)	-	(812)
Total recognised income and expense recognised directly in equity		-	-	-	(812)	-	(812)
Loss for the year		-	-	-	-	(8)	(8)
Total recognised income and expense for the year		-	-	-	(812)	(8)	(820)
New share capital subscribed	18	91	7,509	-	-	-	7,600
Share issue costs		-	(406)	-	-	-	(406)
Credit arising on share options		-	-	-	-	508	508
<b>Balance at 31 December 2007</b>		1,396	76,947	8,607	(812)	(329)	85,809
Fair value gain on cash flow hedge instruments		-	-	-	2,569	-	2,569
Net loss on cashflow hedge removed from equity and reported in the income statement		-	-	-	(1,757)	-	(1,757)
Total recognised income and expense recognised directly in equity		-	-	-	812	-	812
Loss for the year		-	-	-	-	(91,244)	(91,244)
Total recognised income and expense for the year		-	-	-	812	(91,244)	(90,432)
New share capital subscribed	18	73	5,026	-	-	-	5,099
Credit arising on share options		-	-	-	-	5	5
<b>Balance at 31 December 2008</b>		1,469	81,973	8,607	-	(91,568)	481

The notes on pages 16 to 40 are an integral part of these consolidated financial statements.

**African Copper Plc**  
**Group consolidated cash flow statement**

	Note	Year ended 31 December	
		2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>			
Administration expenses		(3,242)	(2,738)
Accrued interest		(1,293)	-
Impairment of property, plant and equipment		(92,438)	-
Impairment of deferred exploration		(6,834)	-
Hedging gain		347	
Operating loss from continuing operations		(103,460)	(2,738)
Decrease/(Increase) in receivables		716	(1,255)
Increase in inventories		(795)	-
(Decrease)/Increase in payables		(92)	69
Share based payment expense		60	519
Accrued interest		1,293	-
Impairment of property, plant and equipment		92,438	-
Impairment of deferred exploration		6,834	-
Hedging gain		(347)	
<b>Cash used in operating activities</b>		<b>(3,353)</b>	<b>(3,405)</b>
Interest received		1,359	2,986
Other income		4	-
<b>Net cash outflow from operating activities</b>		<b>(1,990)</b>	<b>(419)</b>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment		(41,103)	(28,335)
Payments of deferred exploration expenditures		(2,512)	(2,315)
Sale/(Purchase) of cash flow hedging instruments		3,000	(3,060)
Receipts/(payment) to other financial assets		3,970	(4,167)
<b>Net cash outflow from investing activities</b>		<b>(36,645)</b>	<b>(37,877)</b>
<b>Cash flows from financing activities</b>			
Issue of equity share capital, net of issue costs		5,099	7,030
Issue of equity upon exercise of options		-	164
Proceeds from interest bearing borrowings		13,483	-
<b>Net cash inflow from financing activities</b>		<b>18,582</b>	<b>7,194</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(20,053)</b>	<b>(31,102)</b>
Cash and cash equivalents at beginning of the year		22,428	53,254
Exchange (loss)/gain		(612)	276
<b>Cash and cash equivalents at end of the year</b>	17	<b>1,763</b>	<b>22,428</b>

The notes on pages 16 to 40 are an integral part of these consolidated financial statements.

**African Copper Plc**  
**Company cash flow statement**

	Note	Year ended 31 December	
		2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>			
Administration expenses		(1,562)	(2,083)
Impairment of property, plant and equipment		(1,219)	-
Impairment of deferred exploration		(209)	-
Impairment of investments and long term receivables		(88,392)	
Hedging gain		347	
Operating loss from continuing operations		(91,035)	(2,083)
Decrease in receivables		40	338
Increase in payables		92	70
Share based payment expense		-	438
Impairment of property, plant and equipment		1,219	
Impairment of deferred exploration		209	
Impairment of investments and long term receivables		88,392	
Hedging gain		(347)	
<b>Cash used in operating activities</b>		<b>(1,430)</b>	<b>(1,237)</b>
Interest received		403	2,206
Net cash (outflow)/inflow from operating activities		(1,027)	969
<b>Cash flows from investing activities</b>			
(Increase) in loans to subsidiaries		(24,356)	-
Payments to acquire property, plant and equipment		(43)	(58)
Payments of deferred exploration expenditures		(125)	(84)
Purchase of shares in subsidiary company		-	(37,554)
Sale/(Purchase) of derivative financial instruments		3,000	(3,060)
Net cash outflow from investing activities		(21,524)	(40,756)
<b>Cash flows from financing activities</b>			
Issue of equity share capital, net of issue costs		5,099	7,030
Issue of equity upon exercise of warrants		-	-
Issue of equity upon exercise of options		-	164
Net cash inflow from financing activities		5,099	7,194
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(17,452)</b>	<b>(32,593)</b>
Cash and cash equivalents at beginning of the year		18,840	51,157
Exchange gain/(loss)		(612)	276
<b>Cash and cash equivalents at end of the year</b>	17	<b>776</b>	<b>18,840</b>

The notes on pages 16 to 40 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 holds permits in exploration properties 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.

### Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Group is committed to commencing operations at the Mowana Mine and the exploration of the Matsitama Project, however, both projects have been placed on care and maintenance pending the completion of raising funding and subsequent optimisation of mine plans.

The recoverability of capitalized costs in relation to the Group's current operations in Botswana is dependent on the ability of the Group to successfully and profitably operate the Mowana Mine. The amounts shown in Property, Plant and Equipment, Other Financial Assets, Other Receivables and Prepayments, and Inventories represent costs capitalized to date, less amounts written off. For the year ended 31 December 2008 an impairment charge of £92.4 million in respect of the carrying amount of the Mowana Mine and related property plant and equipment, £1.3 million in respect of the carrying amount of Mowana Mine deferred exploration expenditures and £5.5 million in respect of the carrying amount of the Matsitama Project and related exploration expenditures was recorded in the financial statements. This impairment charge was the result of current market conditions and other potential impairment indicators and was based on the Natasa Mining Limited ("**Natasa**") financing proposal (described below and in Note 26 – Subsequent Event) which provides an arm's length valuation of the net assets obtained from sale.

The Group does not have sufficient cash or debt facilities to pay its existing liabilities or fund operations at either the Mowana Mine or Matsitama Project. As a result the Group needed to negotiate debt settlement agreements with its bond holders and trade creditors and raise at least US\$15 million of additional funding which, if not raised, provides significant doubt over the Group's ability to continue as a going concern and to meet its obligations as they become due and, accordingly, the appropriateness of the use of the accounting principles applicable to a going concern.

On 16 March 2009 the Company entered into an agreement with Natasa, under which Natasa provided African Copper a short-term, interest free, secured US\$1.5 million loan (the "**Bridge Loan**") to assist it in meeting its immediate cash-flow requirements (see Note 26 Subsequent Event). The short term loan is to be repaid out of a proposed US\$6.5 million equity placement (the "**Equity Placement**") and a proposed US\$8.5 million debt facility (the "**Debt Facility**"). The Equity Placement and the Debt Facility (together "**the US\$15 Million Facility**") are also proposed to be provided by Natasa.

Under the terms of the Equity Placement, Natasa has agreed in principle, subject to the agreement of formal legal documentation and shareholder approval, to subscribe for a placement of US\$6.5 million in new ordinary shares in African Copper, following which Natasa will hold a 70% interest in African Copper's equity. The US\$15 Million Facility will be utilised by African Copper to settle in full its existing liabilities, settle the short-term loan facility and to provide at least US\$3 million in working capital. Other than the Debt Facility, following Closing, African Copper will have no debt. Assuming completion of the Equity Placement Natasa will provide the Debt Facility.

The Group's ability to continue as a going concern is dependent upon its ability to complete the US\$15 Million Facility and subsequently generate positive cashflows from operations at the Mowana Mine which

is expected to be dependent on completing a further fundraising to recommence full operations. The US\$15 Million Facility is dependent on the completion of legal documentation, shareholder approval and creditor and bondholder approval, the completion of which is not certain although the directors have reasonable expectation that these conditions will be achieved. Following the completion of the US\$15 Million Facility, the mine plans at Mowana will be reviewed in order to optimize these and the directors anticipate that further funding will be required before production may be recommenced at the Mowana Mine. The directors expect that such funding will be provided by Natasa but the terms of any further funding will be subject to separate commercial negotiations between the Company and Natasa once the mine plans have been completed and the timing and amount of such funds necessary is known. On this basis these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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 31 March 2009.

## **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 International Financial Reporting Standards ("**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 recognised 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 recognised 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 recognised 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.

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.

### **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 re-measured 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 forecast 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 and other short-term highly liquid investments with original maturities of three months or less.

#### **j) Inventories**

Inventories of broken ore and concentrate are physically measured or estimated and valued at the lower of cost and net realizable value (“**NRV**”).

Cost represents weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted cost.

Obsolete or damaged inventories are valued at NRV. An ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

#### **k) 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.

#### **l) 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.

**m) Provisions**

Provisions are recognised 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.

**n) Trade and other payables**

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

**o) 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.

**p) 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.

**q) Investment in subsidiaries**

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

**r) Revenue**

***i) Interest income***

Interest income is recognised as it accrues to the Company.

**s) 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 recognised in the financial statements:

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

Capitalisation and impairment of Property Plant and Equipment – Note 2(k) and Note 8  
 Estimation of share based compensation amounts – Note 2(l) and Note 19

### t) 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.

### 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 2007:£nil).

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total assets</b>		
Botswana	14,911	60,470
UK	1,658	22,439
<b>Total</b>	<b>16,569</b>	<b>82,909</b>
<b>Capital expenditure on property, plant and equipment</b>		
Botswana	53,260	34,452
UK	48	128
<b>Total</b>	<b>53,308</b>	<b>34,580</b>
<b>Provision of Impairment relating to property, plant and equipment</b>		
Botswana	91,219	-
UK	1,219	-
<b>Total</b>	<b>92,438</b>	<b>-</b>
<b>Capital expenditure on deferred exploration</b>		
Botswana	2,011	2,263
UK	126	84
<b>Total</b>	<b>2,137</b>	<b>2,347</b>

**Provision of Impairment relating to deferred exploration**

Botswana	6,625	-
UK	209	-
<b>Total</b>	<b>6,834</b>	<b>-</b>

**4. Loss on operations before tax**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss on ordinary activities is stated after charging:</b>		
Depreciation	402	137
Auditors remuneration:		
- Audit fee	41	49
Fees payable to the auditor for other services:		
- Other services relating to tax	13	14
- All other services	27	14

**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:

<b>Group</b>	<b>Number of Employees</b>	<b>Number of Employees</b>
	<b>2008</b>	<b>2007</b>
Finance and administration	22	15
Technical and operations	134	34
	<b>156</b>	<b>49</b>

The aggregate payroll costs of these persons were as follows:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	2,838	1,694
Benefits	615	428
Share based payments	77	620
	<b>3,530</b>	<b>2,742</b>

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

<b>Company</b>	<b>Number of Employees</b>	<b>Number of Employees</b>
	<b>2008</b>	<b>2007</b>
Finance and administration	4	4
Technical and operations	1	1
	<b>5</b>	<b>5</b>

The aggregate payroll costs of these persons were as follows:

	2008 £'000	2007 £'000
Wages and salaries	731	678
Share based payments	5	450
	736	1,128

#### Remuneration of directors and other key management personnel

2008	Directors Fees £'000	Basic annual remuneration £'000	Other benefits £'000	Compensation for loss of office £'000	Total remuneration £'000
<b>Directors:</b>					
R D Corrans	20	-	-	-	20
D Jones	10	63	-	-	73
J A Hamilton	-	72	-	173	245
B R Kipp	-	105	-	-	105
C Fredericks	-	163	-	-	163
A J Williams	14	-	-	-	14
M J Evans	13	-	-	-	13
Total directors' remuneration	57	403	-	173	633
<b>Non-directors</b>	-	439	21	-	460
Share based payments	-	-	77	-	77
Total	57	842	98	173	1,170

2007	Directors Fees £'000	Basic annual remuneration £'000	Other benefits £'000	Total remuneration £'000
<b>Directors:</b>				
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
<b>Non-directors</b>	-	426	149	575

Share based payments	-	-	647	647
<b>Total</b>	<b>68</b>	<b>822</b>	<b>796</b>	<b>1,686</b>

A director exercised share options during 2007 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.

## 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 – 28.5% (2007:30%)

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Tax reconciliation		
Profit/(Loss) on ordinary activities before tax	(102,709)	117
Tax at 28.5% (2007: 30%)	(29,272)	(35)
Effects (at 30%) of:		
Expenses not deductible for tax purposes	39	50
Deferred tax asset not recognised	-	681
Expenses previously not deductible now allowed	-	(598)
Tax losses carried forward	14,928	-
Impairment of Property Plant and Equipment	26,345	-
Impairment of Deferred Exploration	1,948	-
Capital allowances in excess of depreciation	(13,968)	-
Loss brought forward and utilised	-	(168)
Tax charge	-	-

### Unrecognised deferred tax assets and liabilities

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Losses	27,162	14,873
Arising on share options	-	-
Accelerated capital allowances	(25,773)	(14,278)
Net deferred tax asset not recognised	1,389	595

Deferred tax assets are recognised 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, 2008, the Group did not recognize deferred tax assets of £1,398,000 (2007: £595,000) 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 loss per ordinary share on the net basis is based on the loss on ordinary activities after taxation of £102,708,984 (2007: gain of £117,409) and on 145,744,465 (2007: 135,371,319) ordinary

shares being the weighted average number of ordinary shares in issue and ranking for dividend during the year. 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. During 2008 no diluted loss per share was presented as the effect of the exercise of share options would be to decrease the loss per share.

## 8. Property, Plant and Equipment

Group	Mine Development and Infrastructure £'000	Mine Plant and Equipment £'000	Other Assets £'000	Total £'000
<b>Cost</b>				
Balance at 1 January 2007	13,259	387	467	14,113
Additions	32,376	-	2,204	34,580
Exchange adjustments	(150)	(5)	(6)	(161)
<b>Balance at 31 December 2007</b>	<b>45,485</b>	<b>382</b>	<b>2,665</b>	<b>48,532</b>
<hr/>				
Balance at 1 January 2008	45,485	382	2,665	48,532
Additions	51,620	-	1,688	53,308
Exchange adjustments	3,737	34	163	3,934
<b>Balance at 31 December 2008</b>	<b>100,842</b>	<b>416</b>	<b>4,516</b>	<b>105,774</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2007	-	-	(149)	(149)
Depreciation charge for the year	-	-	(137)	(137)
Exchange adjustments	-	-	2	2
<b>Balance at 31 December 2007</b>	<b>-</b>	<b>-</b>	<b>(284)</b>	<b>(284)</b>
<hr/>				
Balance at 1 January 2008	-	-	(284)	(284)
Depreciation charge for the year	(56)	-	(346)	(402)
Impairment of property, plant and equipment	(88,660)	(365)	(3,413)	(92,438)
Exchange adjustments	-	-	(22)	(22)
<b>Balance at 31 December 2008</b>	<b>(88,716)</b>	<b>(365)</b>	<b>(4,065)</b>	<b>(93,146)</b>
<hr/>				
<b>Carry amounts</b>				
Balance at 1 January 2007	13,259	387	318	13,964
Balance at 31 December 2007	45,485	382	2,381	48,248
Balance at 1 January 2008	45,485	382	2,381	48,248
<b>Balance at 31 December 2008</b>	<b>12,126</b>	<b>51</b>	<b>451</b>	<b>12,628</b>

<b>Company</b>	<b>Mine Development and Infrastructure £'000</b>	<b>Computer and Office Equipment £'000</b>	<b>Total  £'000</b>
<b><u>Cost</u></b>			
Balance at 1 January 2007	1,037	6	1,043
Additions	113	15	128
Balance at 31 December 2007	<b>1,150</b>	<b>21</b>	<b>1,171</b>
Additions	46	2	48
<b>Balance 31 December 2008</b>	<b>1,196</b>	<b>23</b>	<b>1,219</b>
<b><u>Impairment losses:</u></b>			
Impairment of property, plant and equipment	<b>(1,196)</b>	<b>(23)</b>	<b>(1,219)</b>
<b>Balance 31 December 2008</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

### **Impairment loss**

In the fourth quarter of 2008 general conditions in the credit markets deteriorated substantially, which had a serious impact on the global economy and contributed to a significant and rapid decline in the demand and selling price for copper. Average base metal prices were down significantly from average prices in the fourth quarter of 2007 with the Group's major product, copper, down 45%.

Long-lived assets including property, plant and equipment and deferred exploration costs are initially recognised in the financial statements in accordance with the Group's accounting policies set out in Note 2. These long-lived assets are also tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the year ended 31 December 2008, the Company undertook a review of all mining assets in light of recent economic events and associated declines in the outlook for metal prices in the near-to-mid term.

The Group assessed the impairment of property, plant and equipment by reference to fair value less costs to sell. The determination of fair value less costs to sell was based on the estimated amount that would be obtained from sale in an arm's length transaction between knowledgeable and willing parties. This estimate was derived from the terms of the Natasa transaction (see Note 26 – Subsequent Event).

### **9. Deferred exploration costs**

<b>Group</b>	<b>£'000</b>
<b><u>Cost</u></b>	
Balance at 1 January 2007	2,007
Additions	2,347
Exchange adjustments	(32)
Balance 31 December 2007	<b>4,322</b>
Additions	2,137
Exchange adjustments	375
Impairment of deferred exploration	(6,834)
<b>Balance 31 December 2008</b>	<b>Nil</b>

<b>Company</b>	<b>£'000</b>
<b>Cost</b>	
Balance at 1 January 2007	-
Additions	84
<b>Balance 31 December 2007</b>	<b>84</b>
Additions	125
<b>Balance 31 December 2008</b>	<b>209</b>
<b>Impairment losses:</b>	
Impairment of deferred exploration	(209)
<b>Balance 31 December 2008</b>	<b>Nil</b>

### Impairment loss

The impairment write-down of deferred exploration costs at the Mowana Mine and Matsitama Project followed adverse changes in assumptions about future prices and stage of development of the exploration properties.

### 10. Other Non-Current Assets

<b>Group</b>	<b>31 December 2008 £'000</b>	<b>31 December 2007 £'000</b>
Bank guarantee	197	4,167

As part of the five year mining contract for the Mowana Mine, in August 2007 Botswana Pula 50 million was lodged by Messina Copper (Botswana) (Pty) Ltd ("**Messina**") in favour of Moolman Mining Botswana (Pty) Ltd ("**Moolman**") as security for Messina's obligations under the Contract. At the request of the Company, on 29 July 2008 Moolman released such funds and Messina agreed to re-instate such security by 30 June 2009. In consideration for the release of such funds, Messina granted Moolman a lien over the run of mine ore, ore stockpiles and copper concentrate at the Mowana site. The remaining £197,000 balance at 31 December relates to a payment guarantee to Botswana Power Corporation in respect of the Mowana Mine

### 11. Derivative Financial Assets

<b>Company and Group</b>	<b>31 December 2008 £'000</b>	<b>31 December 2007 £'000</b>
Copper put contracts designated as a cash flow hedge	-	1,383
Copper put contracts designated as fair value through profit and loss	-	458
<b>Total Derivative Financial Assets</b>	<b>-</b>	<b>1,841</b>

On 12 November 2008 the Company exercised and sold all of its copper put options for £3.3 million (US\$4.75 million). In May 2007 African Copper took the decision to implement revenue protection for the Mowana mine by purchasing copper put options for 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, which equates to 650 tonnes per month over the eight month period. As copper traded above US\$3/lb for the period April to September 2008, the put options for these periods were not exercised and expired. The copper put options sold related to the October 2008 to December 2008 puts.

## 12. Company - Long term receivables

	£'000
<b>Loans to Subsidiary undertakings</b>	
Balance at 1 January 2007	16,986
Additions	37,553
Conversion of intercompany debt to equity	(47,713)
<b>Balance 31 December 2007</b>	<b>6,826</b>
Additions	24,356
Conversion of intercompany debt to equity	(24,356)
Impairment of long term receivables	(6,826)
<b>Balance 31 December 2008</b>	<b>Nil</b>

## 13. Company - Investments in subsidiaries

	£'000
Balance 1 January 2007	9,496
Conversion of Intercompany Debt to Equity*	47,713
<b>Balance 31 December 2007</b>	<b>57,209</b>
Conversion of Intercompany Debt to Equity*	24,356
Impairment of Investments in subsidiaries	(81,565)
<b>Balance 31 December 2008</b>	<b>Nil</b>

\*During 2007 and 2008 the Company converted intercompany loans payable from its wholly-owned subsidiary Messina to equity.

## 14. Subsidiary undertakings

	Country of incorporation and operation	Physical activity	Holding of equity shares 2008	Holding of equity shares 2007
Mortbury Limited	British Virgin Islands	Investment	100%	100%
Messina *	Botswana	Development	100%	100%
Matsitama Minerals (Pty) Limited *	Botswana	Exploration	100%	100%

\* indirectly held

## 15. Other receivables and prepayments

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
VAT receivable	830	1,600	17	12
Interest receivable	5	71	-	4
Prepayments and other receivables	351	232	42	84
	1,186	1,903	59	100

## 16. Inventories

	2008	2007
	£'000	£'000
Stockpile inventories	59	-
Consumables	736	-
Total Inventories	795	-

## 17. Cash and cash equivalents

Group	2008	2007
	£'000	£'000
Cash at bank	-	136
Short-term bank deposits	1,763	22,292
Cash and cash equivalents in the statement of cashflows	1,763	22,428

Company	2008	2007
	£'000	£'000
Cash at bank	-	38
Short-term bank deposits	776	18,802
Cash and cash equivalents in the statement of cashflows	776	18,840

## 18. Share Capital

	No. of shares	£'000
Authorised		
At 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 2007	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
Ordinary shares issued on private placement	7,284,000	73
Balance at 31 December 2008	146,858,957	1,469

### Shares issued

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 were issued at a price of £0.70 per ordinary share, 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 2008</i>	<i>Share Options Held at 31 December 2007</i>	<i>Date of Grant</i>	<i>Option Price per Share</i>	<i>Exercise Period</i>
500,000	500,000	23 September 2004	£0.35	up to 23 September 2014
675,000	675,000	12 November 2004	£0.76	up to 12 November 2014
1,500,000	1,500,000	5 January 2005	£0.76	up to 5 January 2015
90,000	90,000	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	6,860,000	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
<b>11,215,000</b>	<b>11,415,000</b>			

### 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

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Botswana foreign subsidiaries that have a different functional currency from the presentation currency. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.

## 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.

	At 31 December 2008 £'000	At 31 December 2007 £'000
Total interest bearing debt	13,483	-
Total equity	(12,891)	75,966
Debt-to-equity ratio	-	-

## 19. 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. No options were granted in 2008.

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

	2008 Weighted average exercise price in £ per share	Options	2007 Weighted average exercise price in £ per share	Options
At 1 January	73p	11,415,000	73p	13,319,872
Granted		-	77.5p	200,000
Forfeited	77.5p	(200,000)	77p	(1,404,872)
Exercised		-	23p	(700,000)
At 31 December	76p	11,215,000	76p	11,415,000

Exercisable at the end of the year	75p	10,598,331	74p	10,056,666
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The assumptions used were as follows:

	2008	2007
Weighted average share price	-	68p
Weighted average exercise prices	-	77.5p
Expected volatility	-	41%
Expected life	-	5 years
Risk free rate	-	5.0%
Expected dividends	-	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 £98,862 (2007: £728,115), of which £60,307 (2007:£ 518,657) was recorded as an expense in the income statement and £38,555 (2007: £209,458) 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	
		2008	2007
2014	59p	1,175,000	1,175,000
2015	76p	1,830,000	1,830,000
2016	77.5p	8,210,000	8,210,000
2017	77.5p	-	200,000
	73p	11,215,000	11,415,000

The weighted average remaining contractual life of the outstanding options at 31 December 2008 was 7.2 years (2007:8.22 years).

## 20. Interest bearing borrowings

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Unsecured 14% fixed rate Pula bond	13,483	-	-	-

On 4 April 2008 Messina, the Company's wholly-owned subsidiary, completed the private placement of £13.6 million (Botswana Pula 150 million) of fixed rate unsecured notes (the "**Botswana Bond**"). The notes have been priced at 14.0 percent annual interest with a maturity of 7 years. Due to Messina's working capital deficit at 31 December 2008, Messina is in technical breach of the Botswana Bond. As a result the Botswana Bond has been reclassified to current liabilities from non-current liabilities. As part of the Natasa Financing (see Note 26 – Subsequent Event) it is proposed that African Copper will pay to the holders of the Botswana Bond an amount representing approximately 20 per cent of the amount owed to them. This payment will be funded from the proceeds of the Debt Facility and the Equity Placement. In addition, it is proposed that the Company will issue to the holders of the Botswana Bond new ordinary shares at a deemed price of 3.2 pence per ordinary share pursuant to the Debt for Equity Agreement in satisfaction of the balance owed to them. Such payment and issue of shares will be in full and final

settlement of all sums owed to the holders of the Botswana Bond.

## 21. Asset retirement obligations

The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 December 2008 is £2,426,399 (2007 - £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 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.

## 22. Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade payables	7,814	1,511	161	120
Amounts due to related parties (Note 22)	5	41	5	14
Withholding taxes	96	111	-	-
Accrued expenses and other payables	5,636	4,816	188	128
	13,551	6,479	354	262

## 23. Commitments

At 31 December 2008, commitments total to £10.1 million:

Contractual Obligations	Total	2009	2010	2011	2012	2013 and thereafter
	£'000	£'000	£'000	£'000	£'000	£'000
Goods, services and equipment <sup>(a)</sup>	2,110	2,110	-	-	-	-
Mining contract bank guarantee <sup>(b)</sup>	4,534	4,534	-	-	-	-
Exploration licences <sup>(c)</sup>	669	487	91	91	-	-
Mining licence	7	1	1	1	4	-
Lease agreements <sup>(d)</sup>	344	216	87	41	-	-
Asset retirement obligations <sup>(e)</sup>	2,426	161	223	302	350	1,390
	10,090	7,509	402	435	354	1,390

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 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 respect of mining contract, the Company's subsidiary is required to obtain a bank guarantee by June 2009 in support of certain payment obligations in the mining contract. (See Note 10 – Other Non-Current Assets).

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 5 November 2010.
- e) The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 December 2008 is £2,426,399. 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.

## 24. 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;

			Balance Outstanding at 31 December	
	2008 £'000	2007 £'000	2008 £'000	2007 £'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	-	9
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	76	79	-	5
Amount paid to Aegis Instruments, company controlled by a director of a subsidiary, in respect of provision of geophysical and geological consulting, administration services and reimbursed expenses	83	101	81	27
On 1 July 2006 the Company entered into an agreement with Pickax International Corporation (" <b>Pickax</b> ") to provide the services of Mr. Joseph Hamilton, a director and Chief Executive Officer of the Company. On 12 June 2008 the Company signed a Leaving Agreement (the " <b>Agreement</b> ") with Pickax and Joseph Hamilton who resigned as a director and CEO of the Company and was paid £173,040 (inclusive of Canadian Goods & Services Tax) for compensation of loss of office	233	165	-	-
	392	368	81	41

### Loans to Subsidiaries

Balance 1 January 2007	16,986
Amounts advanced to subsidiaries	37,554
Conversion of amounts advanced to equity	(47,714)
Balance 31 December 2007	<b>6,826</b>
Amounts advanced to subsidiaries	24,356
Conversion of amounts advanced to equity	(24,356)
Impairment of loans to Subsidiaries	(6,826)
Balance 31 December 2008	<b>Nil</b>

The amounts due from subsidiaries at 31 December 2008 have been subordinated in favour of other creditors of those companies.

## **25. 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, which arise directly from its operations. In addition, the Company's financial assets include amounts due from subsidiaries.

From time-to-time the Group may use derivative transactions by purchasing copper put contracts to manage fluctuations in copper prices in the Group's underlying business operations. The use of derivatives is based on established practices and parameters which are subject to the oversight of the Board of Directors.

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.

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 risks for which such instruments may be appropriate are market risk including interest rate risk, foreign exchange risk and commodity price risk and liquidity risk each of which is discussed below.

The Group and Company's activities are exposed to a variety of financial risks, which include interest rate risk, foreign exchange risk, commodity price risk and liquidity risk.

### **(a) Market Risk**

#### **(i) 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. Interest bearing borrowings comprise a fixed rate note and variable rate vehicle lease obligations. Variable lease obligations are not considered material.

As at 31 December 2008, with other variables unchanged, a plus or minus 1% change in interest rates, on investments and borrowings whose interest rates are not fixed, would affect the loss for the year by plus or minus £18,000 for the year.

#### **(ii) 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 recognised directly in profit or loss. During 2007 and 2008 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	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Sterling	509	11,903	463	10,714
Canadian Dollars	14	11	14	11
South African Rand	10	9,950	2	8,076
US Dollars	1,235	36	293	36
Botswana Pula	(9)	525	-	-
Euros	4	3	4	3
	1,763	22,428	776	18,840

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 2007 and 2008 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:

	2008			2007		
	Sterling £'000	Pula £'000	Total £'000	Sterling £'000	Pula £'000	Total £'000
Sterling	225	44	269	10,657	1,206	11,863
Pula	(2)	(21,178)	(21,180)	(3)	2,166	2,163
Canadian Dollars	(17)	-	(17)	(52)	(1)	(53)
South African Rand	-	(1,967)	(1,967)	8,074	277	8,351
Australian Dollars	-	(1)	(1)	-	(1)	(1)
US Dollars	270	(470)	(200)	1,841	(306)	1,535
Euros	4	-	4	3	-	3
Total	479	(23,572)	(23,093)	20,520	3,341	23,861

Foreign currency risk sensitivity analysis:

	Profit/Loss		Equity	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
If there was a 10% weakening of Pula against Sterling with all other variables held constant – increase/(decrease)	-	-	(7,474)	(4,806)
If there was a 10% strengthening of Pula against Sterling with all other variables held constant – increase/(decrease)	-	-	9,134	5,874
If there was a 10% weakening of Rand against Sterling with all other variables held constant – increase/(decrease)	179	(714)	179	(714)
If there was a 10% strengthening of Rand against Sterling with all other variables held constant – increase/(decrease)	(219)	873	(219)	873

**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.

**(b) 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 17, 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.

**(c) Liquidity Risk**

As at 31 December, 2008 the Company had £2.0 million in cash and cash equivalents, £1.2 million in other receivables and prepayments and £13.5 million in interest bearing borrowings.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of committed credit facilities. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Group commenced initiatives focused on significantly reducing costs and expenditures. These initiatives included: placing the Mowana Mine on care and maintenance until a fundraising is completed, terminating the mining contract, curtailment of all but essential capital spending and suspension of all exploration activity, cutting operating and administrative costs to the minimum to support essential operations and negotiating a compromise of debts with major creditors and bondholders. The Group requires additional funding in order to pay its current obligations and commence operations at the Mowana Mine. On 16 March 2009 the Company signed an agreement with Natasa to provide a short-term loan facility of US\$1.5 million which is to be repaid out of a proposed US\$6.5 million private placement of ordinary shares and funds advanced to the Company pursuant to a proposed US\$8.5 million debt facility. See Note 26 – Subsequent Event.

Due to Messina's working capital deficit at 31 December 2008, Messina is in technical breach of the Botswana Bond (see Note 20 –Interest Bearing Borrowings). As part of the Natasa transaction it is proposed that African Copper will pay to the holders of the Botswana Bond an amount representing approximately 20 per cent of the amount owed to them. In addition, it is proposed that the Company will enter into a Debt for Equity Agreement in satisfaction of the balance owed to bondholders. Such payment and issue of shares will be in full and final settlement of all sums owed to the holders of the Botswana Bond.

During the year ended 31 December 2008, the Group undertook a review of all mining assets in light of recent economic events and associated declines in the outlook for metal prices in the near-to-mid term.

The Group assessed the impairment of property, plant and equipment by reference to fair value less costs to sell. The determination of fair value less costs to sell was based on the estimated amount that would be obtained from sale in an arm's length transaction between knowledgeable and willing parties. This estimate was derived from the terms of the Natasa transaction (see Note 26 – Subsequent Event). As a result of this review and impairment the Company has recorded an impairment charge of £31.2 million in long-term receivables and £57.2 million in investments in the Company account for receivables and investments in its subsidiaries.

<b>Financial liabilities</b>	<b>Due or due in less than 1 month</b>	<b>Due between 1 to 3 months</b>	<b>Due between 3 months and 1 year</b>	<b>Due between 1 to 5 years</b>
Trade and other payables	-	11,172	1,938	441
Interest bearing borrowings	13,483			

### **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.

### **26. Subsequent Events**

On 16 March 2009, the Company signed an agreement with Natasa, an investment company in the mining finance industry which is listed on the Australian Securities Exchange and on AIM, to assist the Company to meet its immediate and critical working capital requirements. Under the terms of the agreement, Natasa has agreed to make available the Bridge Loan, to be repaid out of the Equity Placement and funds advanced to the Company pursuant to the Debt Facility. The Equity Placement and Debt Facility are also proposed to be provided by Natasa. The Bridge Loan is conditional upon the execution of security documentation over the Group's principal assets, and will be repayable no later than 15 May 2009 (the "**Repayment Date**"). The US\$15 Million Facility will be utilised by African Copper to settle in full its existing liabilities, settle the Bridge Loan and provide at least US\$3 million in working capital. Other than the Debt Facility, following Closing, African Copper will have no debt.

Under the terms of the proposed Equity Placement, Natasa has agreed in principle, subject to the agreement of formal legal documentation, to subscribe for 1,581,557,998 ordinary shares at 0.30 pence per share in African Copper to provide aggregate gross proceeds of £4.7 million (US\$6.5 million) to the Company. Following the issue of new ordinary shares to Creditors described below, the Equity Placement will result in Natasa holding 70% of the enlarged ordinary share capital of the Company. The Equity Placement will be subject to certain conditions precedent including: African Copper shareholder approval; agreement of legal documentation in relation to the Debt Facility; the delisting of African Copper from the Toronto Stock Exchange; and African Copper and the Company's subsidiaries arranging with Creditors, a Debt for Equity Agreement such that the Group's liabilities will be extinguished in full leaving a cash balance of at least \$US3.0 million for working capital purposes. It will also be a condition of the Equity

Placement and the Debt Facility that all the Directors and officers of the Company resign and be replaced with nominees of Natasa. These nominees will be identified in the Company's information circular to be sent to the Company's shareholders to convene the extraordinary general Meeting of African Copper in connection with the proposed Equity Placement, Debt for Equity Agreement and other matters.

Under the terms of the proposed Debt Facility, Natasa has agreed in principle, subject to the agreement of formal legal documentation, to make available a £6.2 million (US\$8.5 million) loan facility to Messina that will be secured on the Company's principal assets. The Debt Facility will bear interest at 12% per annum on funds drawn, and provides capital and interest repayment from cash generated by the Mowana mine. The Debt Facility will be conditional on the completion of the Equity Placement.

As part of the Debt for Equity Agreement, it is proposed that African Copper will pay to the Creditors the sum of £4.3 million (US\$5.9 million) representing approximately 20 per cent of the amount owed to them. This payment will be funded from the proceeds of the Debt Facility and the Equity Placement. In addition, it is proposed that the Company will issue to the Creditors 530,951,614 new ordinary shares at a deemed price of 3.2 pence per ordinary share pursuant to the Debt for Equity Agreement in satisfaction of the balance of the £17.1 million (US\$23.7 million) owed to them. Such payment and issue of shares will be in full and final settlement of all sums owed to the Creditors and will give to the Creditors an interest of 23.5 per cent of the enlarged ordinary share capital of the Company following the issue of shares pursuant to the Equity Placement.

Following completion of the Equity Placement and the Debt for Equity Agreement, the Company's enlarged issued share capital is expected to comprise 2,259,368,569 ordinary shares to be held as set out below:

<b>Description</b>	<b>Ordinary shares*</b>	<b>% of total following Equity Placement</b>
Existing shares in issue	146,858,957	6.5%
Shares to be issued to Creditors	530,951,614	23.5%
Shares to be issued to Natasa	1,581,557,998	70.0%
<b>Total following Equity Placement and Debt for Equity Agreement</b>	<b>2,259,368,569</b>	<b>100.00%</b>

*Note: \*The Equity Placement and Debt for Equity Agreement are subject to agreement of legal documentation and therefore the number of shares and the price at which they may be issued is subject to change.*

In view of the fact that the Debt Facility and the Equity Placement are subject to the agreement of formal legal documentation, and the fact that the availability of the funds pursuant to the Debt Facility and Equity Placement are subject to a number of conditions precedent, including execution of the Debt for Equity Agreement, no assurance can be given that any funds will be advanced to and/or raised by the Company pursuant to the Debt Facility and/or the Equity Placement.