

AFRICAN COPPER PLC

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

Three and Twelve Months ended 31 December 2009

Expressed in Pounds Sterling

The accompanying Financial Information for the three and twelve months ended 31 December 2009 have not been audited nor reviewed by the Company's Auditors and has an effective date of 15 February 2010.

See Note 1 - Nature of operations and going concern

African Copper Plc
Statement of Comprehensive Income

	Three Months Ended		Twelve Months Ended	
	31 December		31 December	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Continuing operations				
Sales Revenue	2,630	-	2,630	-
Operating costs excluding amortization	(4,342)	-	(4,342)	-
Amortization of mining properties and equipment	(496)	-	(496)	-
Operating loss from mining operations	(2,208)	-	(2,208)	-
Foreign exchange (loss)/gain	(122)	224	1,764	(612)
Administrative expenses	(998)	(965)	(4,282)	(3,181)
Share based payment	-	-	(20)	(61)
Depreciation	(102)	-	(102)	-
Loss on derivative financial instruments	-	1,892	-	347
Impairment of property, plant and equipment	-	(50,841)	-	(92,438)
Impairment of deferred exploration	-	(6,834)	-	(6,834)
Reversal of impairment	-	-	29,638	-
Operating (loss)/profit	(3,430)	(56,524)	24,790	(102,779)
Investment income	4	59	20	1,359
Other income	-	4	-	4
Finance costs	(298)	(447)	(1,662)	(1,293)
(Loss)/profit before tax	(3,724)	(56,908)	23,148	(102,709)
Income tax expense	-	-	-	-
(Loss)/profit for the period from continuing operations attributable to equity shareholders	(3,724)	(56,908)	23,148	(102,709)
Other comprehensive income:				
Exchange differences on translating foreign operations	47	10,404	(501)	7,842
Net gain on cash flow hedge	-	3,130	-	2,569
Net gain on cash flow hedge removed from equity and reported in the income statement	-	(2,624)	-	(1,757)
Other comprehensive (loss)/income for the period, net of tax	47	10,911	(501)	8,654
Total comprehensive (loss)/income for the period attributable to equity shareholders	(3,677)	(45,996)	22,647	(94,055)
Basic (loss)/earnings per ordinary share	(0.45)p	(38.59)p	4.12p	(70.31)p
Diluted(loss)/earnings per ordinary share	(0.45)p	(38.59)p	4.12p	(70.31)p

African Copper Plc
Balance Sheets

		31 December 2009 (unaudited) £'000	As At	31 December 2008 (audited) £'000
	Note			
ASSETS				
Property, plant and equipment	3	42,596		12,628
Deferred exploration costs	4	112		-
Other financial assets	5	202		197
Total non-current assets		42,910		12,825
Inventories	6	895		795
Other receivables and prepayments		1,157		1,186
Cash and cash equivalents	7	1,097		1,763
Total current assets		3,149		3,744
Total assets		46,059		16,569
EQUITY				
Issued share capital	8	8,234		1,469
Share premium		81,973		81,973
Acquisition reserve		4,485		4,485
Foreign currency translation reserve		6,134		6,635
Hedging reserve		-		-
Accumulated losses		(84,277)		(107,453)
Total equity		16,549		(12,891)
LIABILITIES				
Asset retirement obligation	12	2,502		2,426
Total non-current liabilities		2,502		2,426
Trade and other payables		2,743		13,551
Due to Zambia Copper Investments Limited	10	24,265		-
Interest bearing borrowings	11	-		13,483
Total current liabilities		27,008		27,034
Total equity and liabilities		46,059		16,569

The accompanying notes are an integral part of these consolidated financial statements.

African Copper Plc
Consolidated statement of changes in equity

	Share Capital £'000	Share Premium £'000	Acquisition Reserve £'000	Foreign Currency Translation Reserve £'000	Hedging Reserve £'000	Accumulated Loss £'000	Total Equity £'000
Balance at 1 January 2008	1,396	76,947	4,485	(1,207)	(812)	(4,843)	75,966
Foreign exchange adjustments	-	-	-	7,842	-	-	7,842
Net loss on cash flow hedge	-	-	-	-	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 recognized directly in equity	-	-	-	7,842	812	-	8,654
Loss for the period	-	-	-	-	-	(102,709)	(102,709)
Total recognised income and expense for the period	-	-	-	7,842	812	(102,709)	(94,055)
New share capital subscribed	73	5,026	-	-	-	-	5,099
Credit arising on share options	-	-	-	-	-	99	99
Balance at 31 December 2008	1,469	81,973	4,485	6,635	-	(107,453)	(12,891)
Foreign exchange adjustments	-	-	-	(501)	-	-	(501)
Total recognized income and expense recognised directly in equity	-	-	-	(501)	-	-	(501)
Profit for the period	-	-	-	-	-	23,148	23,148
Total recognised income and expense for the period	-	-	-	(501)	-	23,148	22,647
New share capital subscribed	6,765	-	-	-	-	-	6,765
Credit arising on share options	-	-	-	-	-	28	28
Balance at 31 December 2009	8,234	81,973	4,485	6,134	-	(84,277)	16,549

African Copper Plc
Consolidated Cash Flow Statement

	Three Months Ended		Twelve Months Ended	
	31 December		31 December	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Operating loss from continuing operations	(3,430)	(56,524)	24,790	(102,779)
Decrease/(increase) in receivables	(611)	(206)	24	716
Decrease/(increase) in inventories	1,464	589	(100)	(795)
(Decrease)/increase in payables	(341)	(60)	(4,270)	(92)
Share based payment expense	-	-	20	60
Impairment of property, plant and equipment	-	50,841	-	92,438
Impairment of deferred exploration	-	6,834	-	6,834
Hedging gain	-	(1,892)	-	(347)
Foreign exchange loss/profit	122	(224)	(1,764)	612
Depreciation and amortization	598	-	598	-
Reversal of impairment	-	-	(29,638)	-
Cash used in operating activities	(2,198)	(642)	(10,340)	(3,353)
Interest received	4	59	20	1,359
Other income	-	4	-	4
Finance costs	(298)	(447)	(1,662)	(1,293)
Net cash (outflow)/inflow from operating activities	(2,492)	(1,026)	(11,982)	(3,283)
Cash flows from investing activities				
Payments to acquire property, plant and equipment	59	(8,752)	(1,345)	(39,810)
Payments of deferred exploration expenditures	6	(1,073)	(111)	(2,512)
Sale/Purchase of cash flow hedging instruments	-	3,000	-	3,000
Receipts/(payments) to other financial assets	-	(26)	-	3,970
Net cash outflow from investing activities	65	(6,851)	(1,456)	(35,352)
Cash flows from financing activities				
Issue of equity share capital, net of issue costs	-	-	6,765	5,099
Payment /proceeds from interest bearing	-	1,727	(13,483)	13,483
Proceeds from Zambia Copper Investments Limited	-	-	17,726	-
Net cash inflow from financing activities	-	1,727	11,008	18,582
Net decrease in cash and cash equivalents	(2,427)	(6,149)	(2,430)	(20,053)
Cash and cash equivalents at beginning of the period	3,646	7,688	1,763	22,428
Exchange (loss)/profit	(122)	224	1,764	(612)
Cash and cash equivalents at end of the period	1,097	1,763	1,097	1,763

1. Nature of operations and going concern

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 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.

The Group has only one business segment, namely copper exploration, development and mining in Botswana. This is considered to be the primary reporting segment of the Group.

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.

On 31 January 2010 the Company and Zambia Copper Investments ("ZCI") completed the refinancing of the US\$32.4 million bridge loan facilities that ZCI provided to the Company in May 2009 with a four year secured credit facility (the "Facility") (See Note 10 - Due to ZCI). The Facility places African Copper's borrowings from ZCI on a more permanent footing and comprises a convertible Tranche A of US\$8,379,100 with a coupon of 12 per cent. per annum and Tranche B that is not convertible of US\$22,750,000 with a coupon of 14 per cent. per annum.

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cashflows from operations at the Mowana Mine. The Mowana Mine recommenced operations in August 2009 but has yet to reach full commercial production rates or produce positive cashflow primarily due to the issues identified in the Management Discussion and Analysis for the three and twelve months ended 31 December 2009 which has delayed the ramping up of production to full plant capacity

As a result, the Company utilized more working capital than had been previously expected, and additional working capital and capital equipment financing requirements have been identified.

In anticipation of these working capital needs, the Company's subsidiary Messina Copper (Botswana) (Proprietary) Limited ("Messina") is in advanced negotiations with a finance provider to provide a working capital credit facility (the "**Working Capital Facility**"). The Working Capital Facility is currently being finalized. The Directors therefore consider it appropriate to prepare these financial statements on the going concern basis.

Management also intends to complete the addition of a Dense Media Separation plant to the processing plant and further evaluate developing the underground portion of the mine at Mowana. Further project finance will be required to complete these initiatives. The Directors expect that additional capital equipment and other project funding may be provided in the future by financial institutions in Botswana and/or the UK or by ZCI. Terms of any further funding by ZCI will be subject to separate commercial negotiations between the Company and ZCI if such funds are necessary and become known. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve further dilution to existing shareholders. In the event that the Company is unable to secure the further finance required, the Company may not be able to fully develop the projects as contemplated and their carrying values may become impaired.

The address of African Copper's registered office is 100 Pall Mall, St James's London SW1Y 5HP. These consolidated financial statements have been approved for issue by the Board of Directors on 15 February 2010.

2. Basis of Preparation

General Information

The financial information contained in this Interim Report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. No statutory accounts for the period have been delivered to the Registrar of Companies. The financial information contained in this Interim Report has not been audited by the auditors.

The statutory accounts for the year ended 31 December 2008 have been audited and have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Group's interim financial information for the period has been prepared in accordance with accounting policies consistent with those adopted in the financial statements for the year ended 31 December 2008, and has been drawn up in accordance with International Accounting Standard 34, "Interim Financial Reporting".

In the opinion of management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended 31 December 2008.

3. Property, Plant and Equipment

Group	Mine Development and Infrastructure £'000	Mine Plant and Equipment £'000	Other Assets £'000	Total £'000
<u>Cost</u>				
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
Balance at 31 December 2008	100,842	416	4,516	105,774
Balance at 1 January 2009	100,842	416	4,516	105,774
Additions	661	-	88	749
Exchange adjustments	557	-	23	580
Balance at 31 December 2009	102,060	416	4,627	107,103
<u>Depreciation and impairment losses</u>				
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)
Balance at 31 December 2008	(88,716)	(365)	(4,065)	(93,146)

Balance 1 January 2009	(88,716)	(365)	(4,065)	(93,146)
Amortization and depreciation charge for the period	(632)	-	(376)	(1,008)
Exchange adjustments	9	-	-	9
Reversal of Impairment	29,638	-	-	29,638
Balance at 31 December 2009	(59,701)	(365)	(4,441)	(64,507)
Carry amounts				
Balance at 1 January 2008	45,485	382	2,381	48,248
Balance at 31 December 2008	12,126	51	451	12,628
Balance at 31 December 2009	42,359	51	186	42,596

Impairment Review

As detailed in the accounting policies in the financial statements for the year ended 31 December 2008 the Directors are required to undertake a review for impairment at least annually and in particular where events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In such situation the assets carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use). However, should indications dictate that a previously recognized impairment loss no longer exist or has decreased then the Directors should estimate the recoverable amount and determine whether an impairment reversal is appropriate.

At 30 September 2008 and at 31 December 2008 the Directors undertook a review of mining assets in light of the then current economic events and associated declines in metal prices and the Group's working capital deficit and its need to raise at least \$US15 million in financing. As a result during the three months ended 30 September 2008, a write down of £41.60 million was recorded and a further £50.84 million write down was recorded during the three months ended 31 December 2008 for a total of £92.44 million.

At 30 June 2009 the Directors undertook a further review of mining assets in light of certain indicators that the previously recognized impairment loss had decreased including the significant impact of the Company completing the ZCI Financing Package. In performing their review the Directors considered each of the Group's exploration and development assets on a project-by-project basis. Three general cash generating units were considered for the purpose of this assessment. These are:

- The Mowana mine itself including pre-operating cost, exploration expenditures on establishing the current resource base, buildings and plant and machinery associated with the mining operations. Includes resources processed from the Thakadu deposit.
- Exploration expenditures on areas within the Mowana environs but which have not yet been exploited and do not form part of the current declared resources.
- Exploration expenditures on the Matsitama tenements.

Following this review and making estimates of the value in use of the Mowana mine and taking into account the failure of the transaction with Natasa Mining Limited (the "Natasa Transaction") and the finalization of the ZCI Financing Package, the Directors concluded that a portion of the recognized impairment loss recognized in 2008 on the Mowana mine unit no longer exists and that a partial impairment reversal was appropriate at 30 June 2009.

No impairment reversal was made in respect of any of the other cash generating units.

In deriving the estimate for the value in use in respect for the Mowana mine the Directors' calculated a Net Present Value of the projected cash flow to be derived from the Mowana mine based on the adopted five (5) year mining plan.

The Net Present Value calculation used the following key assumptions:

Commencement of operations:	August 2009
Copper price:	
Years 1 to 4	US \$ 2.25
Year 5	US \$ 2.00
Exchange rate: Pula to US\$	6.93 (Exchange rate at 30 June 2009)
Discount factor:	14%
Production period:	5 years
Combined ore production from Mowana and Thakadu deposits:	
5 year ore mined	8.4 million tonnes @1.5% Cu
5 year ore milled	5.1 million tonnes @ 2.23% Cu*

*Milled tonnage reflects the impact of the proportion of the Mowana feed which will be treated via the application of Dense Media Separation techniques.

It is estimated that the effect of adverse changes in key assumptions would result in the following decreases in the estimated value in use:

Decrease in copper price by 12.5%	£15.3 million
Increase in all OPEX and CAPEX estimates by 10%	£ 9.2 million
Appreciation of Pula:US\$ exchange rate by 10% to Pula 6.24=US\$1	£ 9.5 million
Increase in discount rate by 2%	£ 2.0 million

As required by IAS 36 no benefit has been recognized for any additional value that could be generated from the assets through improving the performance of the assets through additional cash outflows, from the development of underground workings or from production beyond the five year mine plan.

The Directors have not carried out a further impairment review at 31 December 2009 but will undertake a further review as at 31 March 2010. A review would entail revision of a number of assumptions and a review of the mine model in light of initial production activity. As such, the Directors do not believe a further impairment review at 31 December 2009 would generate a more reliable valuation than that shown as at 30 June 2009.

4. Deferred exploration costs

Group	£'000
<u>Cost</u>	
Balance at 1 January 2008	4,322
Additions	2,137
Exchange adjustments	375
Impairment of deferred exploration	(6,834)
Balance 31 December 2008	Nil
Additions	112
Balance 31 December 2009	112

5. Other Financial Assets

Group	31 December 2009 £'000	31 December 2008 £'000
Bank guarantee	202	197

The bank guarantee relates to a payment guarantee to Botswana Power Corporation in respect of the Mowana Mine.

6. Inventories

	31 December 2009 £'000	31 December 2008 £'000
Stockpile inventories	519	59
Consumables	376	736
Total Inventories	895	795

7. Cash and cash equivalents

Group	31 December 2009 £'000	31 December 2008 £'000
Cash at bank	1,097	-
Short-term bank deposits	-	1,763
Cash and cash equivalents in the statement of cashflows	1,097	1,763

8. Share Capital

	No. of shares	£'000
Authorised:		
Ordinary shares of 1p each	495,000,000	4,950
Redeemable preference shares of £1 each	50,000	50
At 31 December 2008		5,000
Ordinary shares authorized at Extraordinary General Meeting	1,000,000,000	10,000
At 30 September 2009	1,495,050,000	15,000
Issued:		
Balance at 1 January 2007	130,507,185	1,305
Ordinary shares issued on 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
Ordinary shares issued on 28 April 2009	43	-
Ordinary shares issued on 22 May 2009	676,570,500	6,765
Balance at 31 December 2009	823,429,500	8,234

Shares issued

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.

On 28 April 2009 43 new ordinary shares of 1p were issued by the Company in connection with the Company's consolidation of share capital announced on 9 April 2009 as part of the proposed Natasa Transaction. The Natasa Transaction necessitated a reorganisation of the Company's share capital resulting in a consolidation of the Company's existing ordinary shares. One new Ordinary Share of 10p was proposed to be created for every 100 existing ordinary shares. At the Extra-Ordinary General Meeting held on 7 May 2009 the requisite level of shareholder approval for the Natasa Transaction was not received so accordingly the Natasa Transaction did not proceed to completion.

As part of the ZCI Financing Package completed on 22 May 2009, a total of 676,570,500 ordinary shares were issued at a price of £0.01 per ordinary share, raising total net proceeds of £6,765,705.

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.

Dividends

The directors do not recommend the payment of a dividend.

9. 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 2004 options were granted at 35p and 76p, 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 or for the twelve months ending 31 December 2009.

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

	31 December 2009 Weighted average exercise price in £ per share	Options	31 December 2008 Weighted average exercise price in £ per share	Options
At 1 January	75p	11,215,000	76p	11,415,000
Granted		-	-	-
Forfeited	-	(8,280,000)	77.5p	(200,000)
Exercised	-	-	-	-
At 31 December	77p	2,935,000	77p	11,215,000
Exercisable at the end of the period	77p	2,935,000	77p	10,598,331

The total expense in respect of share based payments for the period was £26,827 (2008:£98,862) of which £20,244 (2008:£60,307) was recorded as an expense in the income statement and £6,583 (2008: £38,555) was capitalised as part of deferred exploration costs.

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

Expiry date	Exercise price in £ per share	Shares	
		31 December 2009	31 December 2008
2014	76p	375,000	1,175,000
2015	76p	60,000	1,830,000
2016	77.5p	2,500,000	8,210,000
	77.3p	2,935,000	11,215,000

10. Due to ZCI

	31 December 2009 £'000	31 December 2008 £'000
Due to ZCI	24,265	-

On 9 May 2009 the Company announced it had entered into agreements pursuant to which ZCI agreed to provide the Company a financing package which was subsequently amended by further agreements with effective dates of 12 May 2009, 18 May 2009, 21 May 2009 and 19 June 2009.

The ZCI Financing Package comprises:

Initial Bridge Loans:

- a secured bridge loan facility (the “**Initial Bridge Loan**”) of US\$7 million. The Initial Bridge Loan was made available to Messina on 13 May 2009.
- a second secured US\$25.4 million bridge loan facility (the “**Second Bridge Loan**”). The Second Bridge Loan was made available to Messina on 18 May 2009;

Share Subscription:

- a share subscription for gross proceeds to the Company of approximately US\$9.9 million (the “**Share Subscription**”). The Share Subscription was completed on 22 May 2009 and the New Ordinary Shares were admitted to AIM. Following the Share Subscription, the Company had 823,429,500 ordinary shares in issue and ZCI had an interest in 82.16 per cent. of the issued ordinary share capital of the Company;

Term Loan which Refinances the Bridge Loans:

- a four year secured part convertible credit facility (the “**Convertible Loan Facility**”) of US\$31,129,100 comprising a convertible Tranche A of US\$8,379,100 with a coupon of 12 per cent. per annum and Tranche B that is not convertible of US\$22,750,000 with a coupon of 14 per cent. per annum. The Convertible Loan Facility was signed on 18 June 2009. Tranche A of the Convertible Loan Facility is convertible into ordinary shares of African Copper at a conversion price of 1p per share. The maximum aggregate number of new ordinary shares which may be issued pursuant to the conversion rights attaching to Tranche A is 556,307,263 new ordinary shares (subject to usual adjustments), which would, were Tranche A to be converted in full, increase ZCI's interest in the enlarged issued share capital of the Company from 82.16 per cent. to 89.36 per cent.

The advance of funds under the Convertible Loan Facility was subject to the satisfaction of certain conditions precedent including that ZCI's shareholders having approved the Convertible Loan Facility and security over Messina's assets, including the Mowana Mine, becoming effective. The Initial Bridge Loan and the Second Bridge Loan will be refinanced out of the proceeds of the Share Subscription and the Convertible Loan Facility. The Convertible Loan Facility contains typical covenants, warranties and events of default for an agreement of this nature. The Convertible Loan Facility is guaranteed by African Copper

and all other African Copper group companies and is secured over Messina's assets including a share pledge over the shares of Messina.

On 31 January 2010 the Company and ZCI completed the conditions precedent under the Convertible Loan Facility resulting in the Initial Bridge Loan and Second Bridge Loan being refinanced by the Convertible Loan Facility.

ZCI Debt Acquisitions

On 11 May 2009, the Company and ZCI entered into a binding debt assignment agreement with Moolman Mining Botswana (Pty) Limited ("Moolman") pursuant to which Moolman assigned its 60 million Pula plus VAT (approximately US\$8 million at an exchange rate of US\$1/7.5 Pula) outstanding debt of Messina (the "**Moolman Debt**") to ZCI at a price equal to 50 per cent. of the face value of the Moolman Debt plus the full amount of invoiced VAT. The amount of the VAT will be refunded by the Company to ZCI upon recovery by the Company.

On 12 May 2009, the Company's engineering procurement contractor Senet CC ("**Senet**") entered into an agreement with ZCI, pursuant to which Senet assigned its ZAR 17,002,545 (approximately US\$2 million at an exchange rate of US\$1/ZAR8.44) outstanding debt of Messina (the "**Senet Debt**") to ZCI at a price equal to 50 per cent. of the face value of the Senet Debt.

On 21 May 2009, ZCI completed a compromise agreement with Read Swatman & Voigt (Pty) Limited ("**RSV**") pursuant to which RSV was paid in cash 50 per cent of monies of the total of ZAR 4,537,525 owed directly to RSV and 100 per cent of the total ZAR 1,509,374 owed to RSV sub contractors, being payment of a total of ZAR 3,777,836 (approximately US\$448,141.87 at an exchange rate of US\$1/ZAR8.43) in full and final settlement of debts due from the Company and its subsidiaries. Pursuant to the compromise agreement the full amount of the RSV Debt, ZAR 6,046,899 (approximately US\$717,307 at an exchange rate of US\$1/ZAR8.43) (the "**RSV Debt**") was assigned to ZCI.

Each of the Moolman Debt, the Senet Debt and the RSV Debt are currently due and payable. ZCI and African Copper have agreed that the Company will cause the full amounts of the Senet Debt and RSV Debt to be repaid to ZCI in the short term and that the Moolman Debt will be repaid to ZCI as and when sufficient levels of working capital are available to the Company.

As a consequence of the Initial Bridge and Second Bridge Loan and the ZCI Debt Acquisitions, the Group is indebted to ZCI at 31 December 2009 in an aggregate amount of approximately US\$39.86 million.

11. Interest bearing borrowings

	31 December 2009 £'000	31 December 2008 £'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 were priced at 14.0 percent annual interest with a maturity of 7 years. On 2 April 2009 Messina did not pay the required interest payment due on the Botswana Bond which was an event of default under the Botswana Bond.

On 15 May 2009 the Company announced that Natasa Mining Limited ("**Natasa**") had acquired the Botswana Bond and that Natasa had lodged a petition with the High Court of Botswana to seek an order for the provisional liquidation of Messina. As part of the ZCI Financing Package (See Note 10 – Due to ZCI) the Second Bridge Loan was made available to the Group with the primary portion of this amount made available for the purpose of repaying in full the Botswana Bond owing to Natasa. At 3 June 2009 the

Botswana Bond owing to Natasa was paid in full.

12. Asset retirement obligations

The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 December 2009 is £2,502,350(2008 - £2,426,399). 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.

13. Commitments

At 31 December 2009, commitments total to £3.16 million:

Contractual Obligations	Total	2010	2011	2012	2013 and thereafter
	£'000	£'000	£'000	£'000	£'000
Goods, services and equipment ^(a)	2,174	2,104	70	-	-
Exploration licences ^(b)	722	93	629	-	-
Mining licence	6	1	1	4	-
Lease agreements ^(c)	259	189	60	10	-
	3,161	2,387	760	14	-

- 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.
- b) Under the terms of the Company's prospecting licences Matsitama is obliged to incur certain minimum expenditures.
- c) The Company has entered into agreements for lease premises for various periods until 5 November 2010.

14. 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;

	Twelve months ended		Balance Outstanding as at	
	31 Dec. 2009 £'000	31 Dec. 2008 £'000	31 Dec. 2009 £'000	31 Dec. 2008 £'000
Due to ZCI (see Note 10 and 15)	24,265	-	24,265	-
Amount paid to ZCI being interest on loan for the period May to December 2009	1,109	-	-	-
Amount paid to iCapital Limited for the provision of technical and operational support to the Company. J. Soko, a director of the Company, is a principal of iCapital Limited.	209	-	(4)	-
	25,583	-	24,261	-

15. Ultimate Controlling Party

The directors regard ZCI, a company registered in Bermuda, as the Company's immediate parent undertaking.

The Company's ultimate controlling party is The Copperbelt Development Foundation.

16. 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 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 bridge loans payable to ZCI under the ZCI Financing Package and variable rate vehicle lease obligations. Variable lease obligations are not considered material.

As at 31 December 2009, 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 three month period by plus or minus £36,544.

(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.

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, the Group's balance sheet can be affected significantly by movements in the Pound Sterling to the Botswana Pula. During 2007, 2008 and 2009 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.

Foreign currency risk sensitivity analysis:

	Profit/Loss		Equity	
	31 December 2009 £'000	31 December 2008 £'000	31 December 2009 £'000	31 December 2008 £'000
If there was a 10% weakening of Pula against Sterling with all other variables held constant – increase/(decrease)	-	-	1,351	(7,474)
If there was a 10% strengthening of Pula against Sterling with all other variables held constant – increase/(decrease)	-	-	(1,651)	9,134
If there was a 10% weakening of Rand against Sterling with all other variables held constant – increase/(decrease)	(31)	179	(31)	179
If there was a 10% strengthening of Rand against Sterling with all other variables held constant – increase/(decrease)	38	(219)	38	(219)

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 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, 2009 the Company had £1.1 million in cash and cash equivalents, £1.16 million in other receivables and prepayments and £24.3 million due to ZCI.

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.

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.

17. Subsequent Events

On 31 January 2010 the Company and ZCI completed the refinancing of the US\$32.4 million bridge loan facilities that ZCI provided to the Company in May 2009 with the Facility (See Note 10 - Due to ZCI). The Facility places African Copper's borrowings from ZCI on a more permanent footing and comprises a convertible Tranche A of US\$8,379,100 with a coupon of 12 per cent. per annum and Tranche B that is not convertible of US\$22,750,000 with a coupon of 14 per cent. per annum.