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AIM: ACU

BSE: African Copper



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve month period ended 31 December 2009

The following management discussion and analysis ("MD&A") should be read in conjunction with the Company's unaudited consolidated financial statements for the three and twelve months ended 31 December 2009 (the "Financial Statements") and its audited consolidated financial statements for the year ended 31 December 2008 (the "audited Financial Statements"), and its MD&A for the year ended 31 December, 2008. The Company's financial statements have been prepared under the historical cost basis or, for certain financial instruments, the fair value basis, and in accordance with International Financial Reporting Standards ("IFRS"). The information in this MD&A is current to 15 February 2010.

David De'ath, BSc (Hons), MSc, GDE-Mining, MIMM and MAusIMM the Company's Manager Geology of the Mowana Mine and a "qualified person" as such term is defined in Canadian National Instrument 43-101, has reviewed and approved the technical information in this MD&A relating to the Company's mineral properties, except that Mr. Andy Clay, M.Sc.(Geol), M.Sc.(Min. Eng.), FAusIMM of Venmyn Rand (Pty) Ltd. is the qualified person for purposes of the mineral reserve and resource estimates set out in this MD&A and has approved such estimates. Mr. De'ath has verified the technical information disclosed in this MD&A, including the sampling, analytical and test data underlying such information, in accordance with industry practices determined by the Company to be appropriate in the circumstances

All amounts are expressed in British Pounds Sterling (£) unless otherwise indicated. Certain financial information originates in US dollars, Botswana Pula ("Pula"), South African Rand ("ZAR") and Canadian Dollars ("CAD"), and has been translated into £ based on prevailing exchange rates and in accordance with Note 2 to the audited Financial Statements.

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

OVERVIEW

During the three months ended 31 December, 2009 and subsequently, African Copper made several important advances that management believes are important steps towards reaching full commercial production levels at its Mowana Mine.

After recommencing production in August 2009, the plant at the Mowana Mine produced 4,344 Mt of concentrate, at an average grade of 27.34% copper for 1,192 Mt of copper contained in concentrate up to 31 December 2009. Since August 2009 to 31 December 2009, Mowana has generated gross revenue of £2.63 million and incurred cash operating expenses of £4.34 million.

The plant met its operating targets for copper recovery rate in November 2009. As announced on 21 January 2010, the recovery rate and plant throughput fell back in December 2009 and January 2010, reflecting various operational bottlenecks exacerbated by heavy rainfall. At the date of this MD&A, the Company is addressing these bottlenecks and is in the process of sourcing a mobile crushing unit and completing the required permitting and design work to migrate from a dry to a wet tailings system.

The Company also restructured its short term financing, replacing it with longer term commitments. In January 2010, Zambia Copper Investments (see "Liquidity" in this MD&A) received shareholder approval to replace \$32.4 million of bridge loan facilities provided to the Company in May 2009 (the "ZCI Bridge Loans") with a four year secured credit facility of \$31.1 million. Additionally, at the date of this MD&A, the Company is in advanced negotiations with a finance provider to provide a working capital credit facility.

The Company did not make any significant expenditure on its Matsitama project during the three months, but is actively reviewing work done on the project and considering its next steps. Work is also being

completed to secure a mining licence at Thakadu, 70km from the Mowana Mine.

Overall, the Company recorded a net loss for the three months ended 31 December 2009 of £3.72 million (0.45p per ordinary share), compared with a net loss of £56.9 million (39.05p per ordinary share) during the three months ended 31 December 2008. The 2008 results were heavily affected by impairment losses recognized on the Mowana Mine property, plant and equipment, and the full-year 2009 results were affected in turn by the partial reversal of those losses, reflecting favourable changes in the underlying estimates of expected future cash flows.

The Company also announced several changes to its Board of Directors and management during the quarter:

- On 10 December 2009, the Company announced the resignation of Chris Fredericks as a director and Chief Executive Officer (“**CEO**”) of African Copper with effect from 31 December 2009. The Board is working towards appointing a new CEO. In the meantime, Mr. Jordan Soko, a Non-Executive Director of the Company, assumed the CEO’s executive duties and reports all operational matters to the Board.
- On 29 October 2009 the Company announced the appointment of Professor Stephen Simukanga as a new Independent Director to the Board of the Company.
- During the quarter the Company announced the appointment of a new general manager for the Mowana Mine. This appointment was subject to a probationary period of three months. The Company announced on 9 February 2010 that it had terminated this contract and was therefore not extending it. Accordingly, the Company is continuing the process of recruiting a new general manager for the Mowana Mine.

In addition, the Company announced that it had appointed Canaccord Adams Limited as its sole Nominated Adviser and Broker effective 29 October 2009.

DESCRIPTION OF BUSINESS

African Copper is a base metals company, incorporated in England and Wales, with mining and exploration interests in Botswana. Its ordinary shares are listed on the AIM market of the London Stock Exchange (“**AIM**”) under the symbol “ACU” and on the Botswana Stock Exchange (“**BSE**”) under the symbol “African Copper”. On 20 May 2009, as a condition of the closing of funding by ZCI, the Company announced it had voluntarily delisted its shares from the Toronto Stock Exchange (“**TSX**”). It has also changed its year end to 31 March from 31 December to align with ZCI and to streamline its accounting processes.

The Mowana Mine, owned by the Company’s subsidiary Messina Copper Botswana (Pty) Limited (“**Messina**”) is located close to Botswana’s second largest city, Francistown, in the north-eastern part of the country. Mowana and all current estimated mineral resources and reserves are part of the Dukwe Project, comprising;

(1) exploration licence PL 33/2005, with an area of 139.6 km², and (within that exploration licence) mining licence 2006/53L, with an area of 32.7 km² and valid until the end of 2031

(2) exploration licence 180/2008, covering an area of 114.4 km² to the north of PL 33/2005. The Dukwe Project also encompasses north and south extensions of mineralization lying outside the Mowana Mine licence area.

The Company’s subsidiary Matsitama Minerals Pty Limited (“**Matsitama**”) holds the Matsitama Project, consisting of five prospecting licences contiguous with the Mowana Mine deposit. All the licences are valid and contain prospective areas of mineralization.

Additional information relating to the Company can be found on the Company’s website or under its profile on SEDAR at www.sedar.com.

With corporate offices in the UK, African Copper has offices in Johannesburg and Francistown and a workforce at the Mowana Mine of more than 480 employees and contract workers.

TRENDS

Throughout the fourth quarter of 2008, and continuing into early 2009, global financial and commodity markets were characterized by volatility and falling copper prices. However by early August 2009 copper prices had rebounded to their highest levels since October 2008 and copper has been at the forefront of the rally in the base metals sector. Until the world's economic outlook becomes clearer, mining companies will likely experience fluctuations in energy and resource prices and currency volatility.

MINERAL PROPERTIES

Mowana Mine

On 21 December 2009, the Company announced the most recent estimates of proven and probable mineral reserves and additional inferred mineral resources at the Mowana Mine. These estimates were prepared for ZCI by Read, Swatman & Voigt (Pty) Ltd (“RSV”) in connection with the preparation of a circular to ordinary shareholders of ZCI dated 17 December 2009, and appeared in a Competent Persons Report of RSV dated October 2009 (the “CPR”).

In preparing the CPR, RSV reviewed the Company's existing Mineral Resource and Mineral Reserve models for the Mowana Mine, which were calculated based on assumptions determined to be appropriate by African Copper (including a 0.10% Cu cut-off grade), and which have previously been disclosed by African Copper in its press release dated 26 November 2007. RSV applied its own set of assumptions (including a higher cut-off grade of 0.25% Cu) and re-estimated certain values as follows:

SAMREC compliant Proven & Probable In-pit Mineral Reserves and In-pit Inferred Mineral Resources at a 0.25% Cu cut-off as at 6 August 2009

Category	Tonnage (Mt)	Copper (%)	Contained metal (Tonnes Cu)
Proven Reserves	8.27	1.25%	103,381
Probable Reserves	3.15	1.61%	50,644
Sub Total	11.42	1.35%	154,025
In-pit Inferred Resources	2.56	1.20%	30,720

The inferred material has been included at the bottom of the Mowana Mineral Reserve statement because it is incidental to the mine plan. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The key drivers that will impact on the success of the Mowana Mine will be:

- achieving commercial production and recovery rates on a sustained basis; and
- attaining future profitable operations from the Mowana Mine

Key performance details of the Mowana plant for the third and fourth quarter of 2009 are set out in the table below:

	4th Quarter 2009	3rd Quarter 2009	Total
Ore processed (Metric tonnes (“MT”))	148,286	49,925	198,211
Cu grade (%)	1.25	1.45	1.30
Recovery Cu (%)	48.90	39.30	46.00
Concentrate produced (Mt)	3,203	1,141	4,344
Concentrate grade (%)	28.30	24.97	27.34
Copper produced in concentrate (Mt)	907	285	1,192
Concentrates sold (Mt)	4,535	-	4,535*
Payable copper sold (Mt)	975	-	975

*Includes concentrate produced during plant trial runs.

On 21 January 2009, the Mowana Mine had been placed on care and maintenance pending completion of financing. Since recommencing operations in late August 2009, the plant has produced 4,344 Mt of concentrate, at an average grade of 27.34% copper, for 1,192 Mt of copper contained in concentrate.

Average direct feed ore was mined at a grade of 1.37%, in line with expectations, while the flotation circuits have been performing well when fed with a consistent supply of ore.

Copper recoveries rates increased in October and November, reaching 57.3% in November, in line with the Company's targeted recovery rate of 57%, before declining, together with ore processed, in December and January. This was due to lower Secondary and Tertiary plant availability caused by high crusher liner wear and heavy rain, adversely affecting the consistency of the ore and hindering the flow of material from stockpiles. The existing dry tailings facility utilizes a horizontal belt filter to recover excess process water, resulting in tailings that can be dry stacked; however, this filter has been unable to consistently handle and produce dry tailings.

Mine management has moved quickly to address these two bottlenecks that are currently preventing the mine from ramping up towards full plant capacity. The Company has designed a solution involving the rental of mobile crushing units, which is a quick and cost effective way to temporarily bypass the Secondary and Tertiary crushing plant while work is carried out to incorporate an improved feed arrangement for these crushers. Given the order fulfillment timelines for available mobile crushing units, the delivery and installation of the full required mobile crushing capacity may take until the end of 31 March 2010. This capacity will be increasingly available however during March 2010 while at the same time the existing Secondary and Tertiary crusher will be operated to maintain maximum production as much as possible.

Based on the bottlenecks the Company has experienced in achieving design capacity for its dry tailings facility, it has decided to seek approval from the Government of Botswana to migrate to a more conventional wet tailings system, within which tailings containing significantly more process water are discharged continuously into a tailings pond basin. The Company is amending the Environmental Management Plan ("EMP") to accommodate this proposed change, and design work on the new tailings facility is being undertaken by Scott Wilson RPA Mining Group with a view to starting construction as soon as the amendments to the EMP have been approved by the Botswana authorities which is expected during the second quarter of this calendar year. During the EMP approval period, the directors of the Company anticipate that the production ramp up will be unaffected by the tailings issue, as wet tailings will be deposited into a temporary tailings pond basin within the envisaged new tailings footprint.

During the quarter, the Company held successful discussions with its off-take partner MRI Ag thereby improving certain terms included in its comprehensive 5-year off-take agreement, including payment for copper concentrate on an ex-mine gate basis and reduced penalties on lower grade concentrates.

Thakadu Project

Work is being completed to secure a mining licence at Thakadu to access the higher grade Thakadu mineral resources as a low-cost mining opportunity. The outcrop exposure at Thakadu and the possible initial box cut design lends itself to a small scale operation with low pre-strip mining requirements, limited overheads and the full support of the Mowana Mine infrastructure and management. The possible significant silver credit associated with Thakadu could also be factored into the costs associated with transporting the run of mine ore to the Mowana Plant which is 70 km away. The Company is working on an Environmental Impact Study ("EIA") and Archaeological Impact Assessment ("AIA") which are required to achieve a mining licence for Thakadu. The Company had previously planned to achieve the necessary permitting and apply for a mining licence during the first quarter of calendar 2010 but based on the current status this expectation has been changed to the second quarter of calendar 2010.

On 21 December 2009, the Company announced the most recent estimates of proven and probable mineral reserves and additional inferred mineral resources at the Thakadu Project. In preparing these estimates, which appeared in the RSV CPR, RSV reviewed the Company's existing Mineral Resource models for the Thakadu Project, which were calculated based on assumptions determined to be appropriate by African Copper (including a 0.25% Cu cut-off grade utilizing ordinary kriging), and which had previously been disclosed by the Company in its press release dated 25 July 2007.

In converting the Resources to Probable Mineral Reserves, RSV applied its own set of assumptions (including a higher cut-off grade of 0.5% Cu), to evaluate an economic pit-shell based on African Copper's existing proposed pit design.

SAMREC compliant Proven & Probable In-pit Mineral Reserves, and In-pit Inferred Mineral Resources at a 0.5% Cu cut-off⁽¹⁾ as at 06 August 2009

Category	Tonnage (Mt)	Copper (%)	Contained Metal (Tonnes Cu)
Proven Reserves	Nil	Nil	Nil
Probable Reserves	2.77	2.15	59,477

Sub Total	2.77	2.15	59,477
In-pit Inferred Resources	Nil	Nil	Nil

⁽¹⁾ The cut-off grade was determined by RSV based on a forward copper price curve as supplied by African Copper (\$2.25/lb in 2009-2010 and \$2.00/lb in 2011-2020), operating costs, metallurgical recoveries, prevailing Botswana tax rates, average smelter charges and transport costs to the ports of Durban/Richards Bay.

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

As a result of being placed on care and maintenance in January 2009, expenditures on Mowana infrastructure and mine plant and equipment were reduced to a minimum. During this period the Company restructured certain aspects of its operations, terminating various employees and incurring related legal and professional expenses. At the same time, Messina negotiated final debt settlement agreements with its large trade creditors including its mining contractor and EPCM contractors. Overall, expenditure related to property, plant and equipment were therefore reduced to £1.3 million during the 12 months ended 31 December 2009 compared to £56.9 million in the previous year.

Expenditures were also offset by capitalized depreciation of £493,909 and a foreign exchange gain of £586,669 during the 12 month period ended 31 December 2009. The foreign exchange gain was the result of translating to Sterling the accumulated mining development, infrastructure and mine plant and equipment balances that are denominated in Pula in the Botswana subsidiary accounts.

As at 30 June 2009, the Directors undertook a review of mining assets in light of certain indicators that the impairment loss recognized in 2008 had decreased, including the significant impact on the Company of the ZCI Financing Package described below under "Liquidity and Capital Resources".

Following this review, including making estimates of the value in use of the Mowana Mine, the Directors concluded that a portion of the £92.4 million impairment loss recognized in 2008 on that Mowana Mine no longer existed and that a partial impairment reversal of £29.6 million was appropriate. No impairment reversal was made in respect of any of the other cash generating units. No additional indicators have been identified at 31 December 2009 that would require re-estimating the recoverable amount of any assets at that date.

Matsitama Project

In line with market conditions and management's need to aggressively reduce overheads until working capital finance was secured, exploration activity was curtailed at the Matsitama Project during the fourth quarter of fiscal 2008. Since completing the ZCI Financing Package, the first priority has been commencing operations at the Mowana mine as soon as practical. The Company and ZCI are currently reviewing the Matsitama tenement areas and work completed to date, with the objective of establishing internal programmes or seeking joint venture finance opportunities to expand the geological knowledge related to the Matsitama properties and to pursue the development of mineralization, if discovered, that is economically significant.

Under mineral legislation in Botswana, a prospecting licence may be renewed for subsequent periods; however, upon renewal, the area covered by the licence must be reduced in size to not more than half the area at the end of its prior period of the licence. In February 2009 the Group applied to the Geological Survey of Botswana to renew Matsitama exploration licences 014/2004, 015/2004, 016/2004, 017/2004

which were due to expire on 30 June 2009. As part of this application the Group designated a reduction of 43% of the total area of these exploration licences, retaining the exploration ground deemed by management to be the most promising (or already hosting known mineralization) based on exploration work completed in and prior to 2008. On 15 July 2009 the Geological Survey of Botswana renewed the Matsitama exploration licences for a period of two years.

Matsitama Project – deferred exploration expenditures

The Company spent £12,645 (2008: £903,146) during the three months ended 31 December 2009 and £108,732 (2008:£1.64 million) during the 12 months ended 31 December 2009 primarily on administrative expenses activities in the Matsitama prospecting licence area.

OVERALL FINANCIAL PERFORMANCE

	Three months ended 31 December		Twelve months ended 31 December	
	£		£	
	2009	2008	2009	2008
Sales revenue	2,630,777	-	2,630,777	-
Operating Costs	(4,342,337)	-	(4,342,337)	-
excluding amortization				
Amortization of mining properties and equipment	(496,383)	-	(496,383)	-
Operating loss from mining operations	(2,207,943)	-	(2,207,943)	-
G&A, consultants, salaries and benefits	(507,682)	(698,822)	(2,317,167)	(2,100,321)
Insurance	(321,540)	(8,264)	(343,590)	(33,477)
Directors fees	(24,108)	(11,650)	(102,232)	(57,100)
Investor relations and public company admin	(20,324)	(33,547)	(153,875)	(230,465)
Travel, accommodation	(54,417)	(36,645)	(149,416)	(204,570)
Professional fees	(73,486)	(172,689)	(945,056)	(550,650)
Share based compensation	(100)	1,117	(20,244)	(60,307)
Deferred bond raising fees	3,662	-	(270,505)	-
Depreciation	(101,684)	-	(101,684)	-
Foreign exchange (gain)/loss	(122,264)	223,981	1,763,574	(612,066)
Hedging loss	-	1,892,278	-	346,670
Impairment of property, plant and equipment	-	(50,840,949)	-	(92,438,345)
Impairment of deferred exploration	-	(6,834,451)	-	(6,834,451)
Reversal of Impairment of property, plant and equipment	-	-	29,638,461	-
Operating (loss)/profit	(3,429,886)	(56,519,641)	24,790,323	(102,775,082)
Investment income	3,561	59,300	19,758	1,359,176
Interest expense	(298,238)	(446,999)	(1,661,671)	(1,293,078)
Net (loss)/profit	(3,724,563)	(56,907,340)	23,148,410	(102,708,984)

Three months ended 31 December 2009

The Company recorded a net loss for the three months ended 31 December 2009 of £3.72 million (0.45p per ordinary share), compared with a net loss of £56.9 million (39.05p per ordinary share) during the three months ended 31 December 2008. As evidenced in the table above, the increased loss for the prior three month period compared to the loss for the three months ended 31 December 2009 was primarily related to the £57.67 million impairment provision that was recognized during the three months ended 31 December 2008 to the Mowana Mine property, plant and equipment.

Operating loss from mining operations:

During the quarter the Mowana Mine moved from the development stage to production, recording sales revenue for the three months ended 31 December, 2009 of £2.63 million (2008: Nil amount). These sales, as announced on 21 January 2010, reflected the various operational bottlenecks described above, exacerbated by heavy rainfall, and a consequently lower volume of ore processed through the plant than anticipated. At the same time, because of the demands of responding to these challenges, production-related costs were consequently increased. The Company does not believe that the operating results for this initial quarter of production are at all indicative of those it will achieve over time, after implementing the solutions currently in progress. With the commencement of production, the Company also commenced amortizing the Mowana Mine's property, plant and equipment during the quarter.

Bank interest receivable:

Bank interest receivable for three months ended 31 December 2009 decreased to £3,561 from £59,300 for the same period in 2008. This decrease is primarily the result of lower interest rates earned during the current year's quarter in order to ensure the liquidity and cash availability of the Company's funds. In addition, average cash balances and interest rates during the current quarter were lower.

General and administration, consultants, salaries and benefits:

During three months ended 31 December 2009, the Company incurred a total of £507,682 (2008: £698,822) in salaries, general and administrative expenses. During the current quarter the Botswana G&A decreased significantly due to restructuring of costs that was completed earlier in 2009. These savings were somewhat offset by iCapital Limited ("iCapital") fees of £70K for the provision of technical and operational support and £225K in "change of control" (see section entitled "**Liquidity and Capital Resources**" in this MD&A) payments required under the CEO and Chief Financial Officer ("CFO") employment contracts.

Travel, accommodation:

Travel and accommodation costs increased to £54,417 during the three months ended 31 December 2009 compared with £36,645 for the same period in 2008. Additional travel costs were incurred as part of the re-start of operations in Botswana including the cost of transporting certain consultants and iCapital metallurgical and financial expertise.

Professional fees:

Professional fees decreased to £73,486 during the three months ended 31 December 2009 compared to £172,689 for the same period in 2008. The equivalent period in 2008 included year-end audit costs (not incurred in 2009 due to the change in the Company's year-end) and additional legal fees relating to financing initiatives that took place in 2008, including work on the Extraordinary General meeting held on 7 January 2009. In addition, the current 2009 quarter included executive search fees for the hiring of certain new members of the Botswana management team.

Share-based compensation:

Share based compensation expenses of £100 (2008: £1,117) are non-cash expenses and reflect the derived value of stock options vested during the period. During the fourth quarter of 2009 no options were granted (2008: nil). The grant date fair value of stock options is amortized to the Income Statement over the period in which the options vest.

Interest Expense:

The £298,238 interest expense for the three months ended 31 December 2009 relates to the interest on the ZCI Bridge Loans. During the 2008 comparative quarter the interest expense of £446,999 related to the Pula 150.0 million (£11.85 million) bond (the "**Botswana Bond**") that was placed on 4 April 2008 with local Botswana institutions. On 15 May 2009, Natasa Mining Limited ("**Natasa**") acquired the Botswana Bond and subsequently demanded immediate repayment of the entire principal amount on the basis of

alleged defaults under the terms of the Botswana Bond. On 3 June 2009, the Company settled in full all the claims of Natasa against its subsidiaries Messina and Matsitama (including the repayment of the Botswana Bond).

Foreign exchange:

The foreign exchange loss of £122,264 recorded for the three months ended 31 December 2009 was primarily related to the revaluation of the US\$ denominated loans (ZCI) on the Pula denominated financial statements of Messina.

Twelve Months Ended 31 December 2009

The Company recorded a net gain for the 12 months ended 31 December 2009 of £23.15 million (4.12p per ordinary share), compared with a net loss of £102.71 million (70.47p per ordinary share) during the 12 months ended 31 December 2008. As evidenced in the table above, the gain for the current 12 month period, compared to the loss for the 12 months ended 31 December 2008, reflects a £29.6 million partial reversal in 2009 of a £99.27 million impairment provision recognized in the 12 months ended 31 December 2008.

Operating loss from mining operations:

During the 12 months ended 31 December 2009, the Company had sales revenue of £2.63million (2008: Nil amount) and operating costs of £4.34 million (2008: Nil amount). This was lower than expected, reflecting the various operational bottlenecks described above, exacerbated by heavy rainfall, and a consequently lower volume of ore processed through the plant than anticipated. At the same time, because of the demands of responding to these challenges, production-related costs were higher than expected. The Company does not believe that the operating results for this period of production are at all indicative of those it will achieve over time, after implementing the solutions currently in progress. With the commencement of production, the Company also commenced amortizing the Mowana Mine's property, plant and equipment during the fourth quarter.

Bank interest receivable:

Bank interest receivable for 12 months ended 31 December 2009 decreased to £19,758 from £1,359,176 for the same period in 2008. The lower bank interest receivable related to lower average cash balances and interest rates throughout the current period compared to the previous year.

General and administration, consultants, salaries and benefits:

During the 12 months ended 31 December 2009, the Company incurred a total of £2.32 million (2008: £2.10 million) in salaries, general and administrative expenses. Costs for 2009 reflected savings realized and certain termination costs incurred during the restructuring that was completed while the Mowana Mine was on a care and maintenance basis. Savings from the restructuring were somewhat offset by iCapital fees of £179K for the provision of technical and operational support and £225K in "change of control" (see section entitled "**Liquidity and Capital Resources**" in this MD&A) payments required under the CEO and CFO employment contracts.

Directors' Fees:

During the 12 months ended 31 December 2009, the Company incurred a total of £102,232 (2008: £57,100) in director fees. The Directors' fees of £102,232 include an amount of £32,233 payable to UK HM Revenue and Customs ("**HMRC**") in respect of a UK Pay As You Earn ("**PAYE**") audit. An additional amount of £4,383 interest payable to HMRC on late payment is accounted for in the interest expense. The increase also reflects changes to directors and an increase in director's fees on 30 November 2009.

Investor relations and public company administration:

Investor relations and public company administration costs decreased to £153,875 compared with £230,465 for the same period in 2008. During 2009, investor relations costs were significantly reduced in an effort to save funds while the Company was reorganizing. These savings were offset by the costs of holding two Extra-Ordinary General Meetings in January 2009 and May 2009.

Travel, accommodation:

Travel and accommodation costs decreased to £149,416 during the twelve months ended 31 December 2009 compared with £204,570 for the same period in 2008. Due to a lack of working capital during the first half of 2009 all discretionary travel costs were suspended in an effort to save funds. These savings

were somewhat offset in the third and fourth quarter of 2009 when increased travel took place as part of the recommencement of operations at the Mowana Mine.

Professional fees:

Professional fees increased to £945,056 during the twelve months ended 31 December 2009 compared to £550,650 for the same period in 2008. The increase is due to legal and related professional fees in respect of the Natasa financing initiative, the Natasa debt acquisitions and completing the ZCI Financing Package and other attempted financing initiatives considered during the first half of 2009.

Share-based compensation:

Share based compensation expenses of £20,244 (2008: £60,307) are non-cash expenses and reflect the derived value of stock options vested during the period. During the twelve months ended 31 December 2009 no options were granted (2008: nil). The grant date fair value of stock options is amortized to the Income Statement over the period in which the options vest.

Interest Expense and Deferred Bond Raising Fees:

Interest expense increased to £1,661,671 during the twelve months ended 31 December 2009 compared to £1,293,078 for the same period in 2008.

The £1,661,671 interest expense for the twelve months ended 31 December 2009 relates to interest charges on the Botswana Bond until it was settled in June of 2009 and interest charges on the ZCI Bridge Loan. During 2008 interest expense of £1,293,078 related to the Botswana Bond.

Foreign exchange:

During twelve months ended 31 December 2009, the Company recorded a foreign exchange gain of £1,763,574 compared to a loss of £612,066 in the comparative period in 2008, primarily related to the revaluation of the US\$ denominated loans on Messina's Pula-denominated financial statements.

SUMMARY OF QUARTERLY RESULTS

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

Three Months Ended	Net Revenues (£)	Net Loss/ (Income)		Diluted loss/(gain) per share (£)
		Total (£)	Loss/(gain) per share (£)	
31 December 2009	2,630,777	3,724,563 ⁽¹⁾	0.47p	0.47p
30 September 2009	-	815,578	0.10p	0.10p
30 June 2009	-	(28,893,095)	(9.75)p	(9.75)p
31 March 2009	-	1,202,011	0.82p	0.82p
31 December 2008	-	56,907,340	39.05p	39.05p
30 September 2008	-	43,154,703	29.69p	29.69p
30 June 2008	-	1,591,286 ⁽²⁾	1.10p	1.10p
31 March 2008	-	1,055,656	0.74p	0.74p
31 December 2007	-	146,811	0.11p	0.11p

Quarterly results have fluctuated due primarily to impairment charges and reversals and to foreign exchange movements.

- (1) Please review the discussion under the heading "Overall Financial Performance for the three months ended 31 December 2009" in this MD&A for an explanation of the financial results, and exchange gains/losses and related period-to-period changes for the three months ended 31 December 2009.
- (2) A principal component of the net loss of £1.6 million during the second quarter of 2008 related to a £814,340 hedging loss incurred on copper put contracts. Put contracts which are deemed to be not effective hedges, are measured at fair value, with the movement in fair value being recognized in the consolidated income statement.

LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2009, the Company had cash and cash equivalents of £1.1 million (31 December 2008 - £1.76 million) and a working capital deficit of £23.86 million compared to a working capital deficit of £23.29 million at 31 December 2008. Included in the working capital deficit are £24.27 million of bridge loans advanced by ZCI described below. In January 2010 these were refinanced by the Convertible Loan Facility which has a term of four years.

ZCI Financing Package

On 9 May 2009 the Company announced it had entered into agreements pursuant to which ZCI agreed to provide the Company and its stakeholders with a comprehensive 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**”):

The ZCI Financing Package comprised:

- a US\$7 million Initial Bridge Loan facility, made available to Messina on 13 May 2009;
- a US\$25.4 million Second Bridge Loan facility, made available to Messina on 18 May 2009;
- a US\$9.9 million Share Subscription, completed on 22 May 2009; and
- a US\$31.1 million four-year Convertible Loan Facility, signed on 18 June 2009.

Following the Share Subscription, ZCI had an interest in 82.16% of the Company's issued ordinary share capital, constituting a "change of control".

In January 2010 the Initial Bridge Loan and the Second Bridge Loan were refinanced out of the proceeds of the Share Subscription and the Convertible Loan Facility.

The Convertible Loan Facility has been 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.

ZCI Debt Acquisitions

ZCI entered into binding debt assignment agreements with Moolman Mining Botswana (Pty) Limited (“**Moolman**”), Senet CC (“**Senet**”) and RSV (collectively the “**Large Creditors**”) pursuant to which the Large Creditors assigned their respective debts owed by Messina to ZCI at a price equal to 50 per cent of the face value of the Messina debts which totalled US\$10.72 million. As a consequence of the ZCI Financing Package, and the ZCI Debt Acquisitions, the Group is indebted to ZCI at 31 December 2009 in an aggregate amount of US\$39.86 million.

Liquidity

As a result of the two bottlenecks that prevented the Mowana mine from ramping up towards full plant capacity, the Company utilized more working capital than had been previously expected and additional working capital and capital equipment financing requirements were identified.

In anticipation of these working capital needs, the Company's subsidiary Messina is in advanced negotiations with a finance provider to provide a working capital credit facility (the “**Working Capital Facility**”).

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.

CONTRACTUAL OBLIGATIONS

At 31 December 2009, the Group's contractual obligations aggregated £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 exploration 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.

At 31 December 2009, outstanding share options represented a total of 2,935,000 ordinary shares issuable for maximum aggregate proceeds of £2,268,100 if and when exercised.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

The Company was charged £76,141(2008 - Nil) for the three months ended 31 December 2009 and £209,054(2008 - Nil) for the twelve months ended 31 December 2009 by iCapital for the provision of technical and operational support to the Company. J. Soko, a director of the Company, is a principal of iCapital.

This related party transaction was in the normal course of operations and was measured at the exchange amount.

As a consequence of the debts arising from the ZCI Financing Package 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. See Note 10 and 15 of the Financial Statements.

RISKS

The Company's operations are subject to numerous significant risks.

To date it has little operating history and a history of losses and there can be no assurance it will ever be profitable. Its activities are focused primarily on the Mowana Mine. Any adverse changes or developments affecting this project would have a material and adverse effect on the Company's business, financial condition, working capital and results of operations. Neither the development of the Mowana Mine into a commercial operation and its economic viability, nor the success of other current nor future exploration activities can be assured. Copper price volatility and currency fluctuations may also affect the Company's production, profitability, cash flow and financial position.

The capital, operating cost estimates and mining and processing plans anticipated for the Mowana Mine, including the key assumptions used by the Company in calculating the partial reversal at 30 June 2009 of

the impairment charge recognized in 2008, are estimates only and may not reflect the actual capital, operating costs and mine and processing incurred by the Company.

Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions, and government regulations may have an adverse effect on the Company.

The Company's ability to meet its obligations and continue as a going concern is dependent on its ability to finalize the Working Capital Facility and subsequently generate positive cashflow from operations at the Mowana Mine. If the Working Capital Facility is not completed, the Directors expect, in the absence of alternative sources of funds, that additional funding would be available from ZCI. Terms of any further funding by ZCI will be subject to separate commercial negotiations between the Company and ZCI if such funding from ZCI is necessary.

The Group is dependent on the continuing support of ZCI not to call for the repayment of amounts owed to it. If ZCI calls for repayment, the Group would, in the absence of alternative sources of funds, have insufficient funds to repay the loans and would thereby be unable to avoid formal insolvency proceedings.

More information on these and other risks is set out in detail in the Annual Information Form filed on SEDAR for the year ended December 31, 2008.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the period beginning on 1 January 2009 and ending on 31 December 2009 there were no changes in the Company's internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting and decisions regarding required disclosure.

DISCLOSURE OF OUTSTANDING SHARE DATA

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

	Expiry date	Exercise price	Number	Number
Ordinary common shares-				
Opening Balance 1 January 2009			146,858,957	
Shares issued on 28 April 2009			43	
Shares issued on 22 May 2009			676,570,500	823,429,500
Share purchase options				
	12 November 2014	£0.76	375,000	
	12 November 2015	£0.76	60,000	
	1 August 2016	£0.775	1,750,000	
	29 December 2016	£0.775	750,000	2,935,000

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information". Forward-looking information includes, but is not limited to, statements concerning mineral resource and reserve estimates, the steps required and the related timing to reach full production levels at its Mowana Mine, the additional amount of working capital and capital equipment financing required, the positive outcome of negotiations to secure the Working Capital Facility, the Company's expectation that ZCI will not require immediate repayment of the amounts owed to it including amounts owed to the Large Creditors, the Company's expectations that additional funding will be available from ZCI, the Company's overall strategy, the Company's plans with respect to obtaining

mining licences for Thakadu, including with respect to the anticipated timing thereof, the Company's plans with respect to the exploration of the Matsitama Project, the estimated total discounted amount of cash flows required to settle the Company's asset retirement obligations, the Company's expectation of market volatility, the Company's critical accounting estimates, including the partial reversal of the impairment charge recognized in 2008, the Company's estimated amounts used to determine that a partial reversal of the impairment charge at 30 June 2009 recognized in 2008 is appropriate, the Company's strategy with respect to the use of financial instruments and derivative positions, estimated working capital costs, and other statements which are not historical facts.

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

With respect to forward-looking information contained in this MD&A, the Company has made assumptions regarding, among other things, the Working Capital Facility providing the necessary working capital, any further financing required for additional working capital and/or project finance being provided by ZCI or other financial institutions, the implementation of the mobile crushing units and wet tailings facility to address bottlenecks thereby enabling the Mowana Mine to reach full production levels, the key drivers required for the success at the Mowana Mine, the net present value calculations underlying the Company's determination at 30 June 2009 that a partial reversal of the impairment charge recognized in 2008 is appropriate, the recovery of mineral properties, estimated useful lives of capital assets, stock appreciation and financial instruments valuation, the Company's ability to access additional capital equipment and other project funding (including additional debt from ZCI) to meet possible future funding requirements for working capital and/or project finance for the DMS or underground development, the regulatory framework in Botswana with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, and the Company's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Although the Company believes that its expectations reflected in forward-looking information are reasonable, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or the Company's projects in Botswana, or any of them, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, the Company not being able to repay any interest or principal payments when due under the ZCI Financing Package, the ZCI Financing Package and the contemplated Working Capital Facility being insufficient to meet the Company's necessary working capital requirements, ZCI not providing any further financing required for additional working capital and/or project finance on terms acceptable to the Company or at all or the Company being unable to obtain any such financing from alternative investors and/or lenders, the mobile crushing units being a quick and cost effective way to temporarily bypass the Secondary and Tertiary crushing plant to improve production efficiency, the timing of the EMP approval for a wet tailings facility, that production ramp up will be unaffected by the migration from dry tailings to wet tailings, any further delays in the ramp-up to commercial production or, any further material reductions in tonnages, grades and/or recovery rates and overruns in operating costs are experienced, ZCI requiring immediate repayment of the amounts owed to it on account of the Large Creditors, adverse changes in any of the key assumptions of the Company regarding the net present value calculations underlying the Company's determination that a partial reversal at 30 June 2009 of the impairment charge recognized in 2008 is appropriate, risks related to failure to convert estimated mineral resources to reserves, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, the possibility that actual circumstances will differ from the estimates and assumptions used in the current mining plan for the Mowana Mine, future prices of copper, unexpected increases in capital or operating costs, possible variations in mineral resources, grade or recovery rates, failure of equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry, delays in obtaining governmental consents, permits, licences and registrations, political risks arising from operating in Africa, changes to regulations affecting the Company, changes in the debt and equity markets, inflation, changes in exchange rates, fluctuations in commodity prices and uninsured risks, as well as those factors discussed under "Risks" in this MD&A.

Although the Company has attempted to identify important factors that could cause actual actions, events

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

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

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

FOR FURTHER INFORMATION PLEASE CONTACT:

Brad Kipp
Chief Financial Officer
(416) 847 4866
Email: brack@africancopper.com

Canaccord Adams (NOMAD and Broker)
Andrew Chubb/Tarica Mpinga
+44 (0) 207 0506 500

Tavistock Communications
Simon Hudson / Nick Peters
+44 (0) 207 9203 150
Email: npeters@cityinsights.co.uk