



## Annual Report

for 15 Month Period  
1 January 2009 – 31 March 2010





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AIM: ACU

BSE: African Copper

African Copper Plc (“African Copper” or the “Company”)

## MANAGEMENT’S DISCUSSION AND ANALYSIS

For the fifteen month period ended 31 March 2010

*The following management discussion and analysis (“MD&A”) should be read in conjunction with the Company’s audited consolidated financial statements for the 15 months ended 31 March 2010 (the “Financial Statements”). The Financial Statements are presented in US dollars following a management decision to change the reporting currency from Pounds Sterling during the period. The change has been made to reflect the profile of the Group’s revenue which as a result of commencing commercial production at the Mowana mine in Botswana has now started to be generated in US dollars. All comparative information has been restated into US dollars. 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 29 June 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, 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 US dollars (“\$”) unless otherwise indicated. Certain financial information originates in British Pounds Sterling (“£”), 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 Financial Statements*

*Additional information relating to the Company, including its Annual Information Form, is available at [www.africancopper.com](http://www.africancopper.com) or under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).*

### OVERVIEW

#### Operations

This was an important and active year for African Copper. The Company took some major steps forward, in particular by recommencing production at its Mowana Mine in August 2009. However, it also experienced setbacks, delaying the achievement of full commercial production levels at Mowana. Management is making solid progress on its plan to address these challenges, and looks forward with excitement both to establishing more stable operations at Mowana in the foreseeable future, and to stepping up its exploration and development activities at its other properties.

The Mowana plant came close to meeting its operating targets in October 2009, but its effectiveness subsequently suffered, with the rainy season triggering frequent shutdowns of the plant’s Secondary and Tertiary crusher (“SnT”). Production continued, albeit inconsistently, between November 2009 and April 2010. Production in May and June 2010 has shown very positive trends with the SnT performing better with the rainy season over and mobile crusher capacity increasing. From 1 September to 31 March 2010 Mowana produced 6,367Mt of concentrate, at an average concentrate grade of 25.44%. Including concentrate produced during plant trial runs, Mowana sold 6,667Mt to the end of March 2010, generating net revenue of \$7.4 million. From 1 April 2010 to 15 June 2010 Mowana produced 2,399 Mt of concentrate, at an average concentrate grade of 24.15%.

The Company took various steps to address the problems at Mowana. It purchased mobile crushing units, allowing it to bypass the SnT crusher in the short term. These came online after the end of the year, in April 2010, and at the date of this MD&A are being brought up to full capacity. At the present

time Amec Minproc, an international engineering firm, is completing the engineering design study on the SnT. While this work is being undertaken the SnT is still being operated. After the engineering design work is completed the SnT is anticipated to be out of service for approximately 3 months to complete the re-construction of the circuit. During this time the mobile crusher operating at full capacity is anticipated to be sufficient to supply the operations. Management has also budgeted the addition of a washing plant to screen and wash out the fine fraction from the ore before it enters the primary crusher ore stockpile, more permanently alleviating the demands on the SnT crusher: it intends for this to be installed by the end of February 2011.

At the same time, to lift the performance of Mowana to the next level, the Company is moving to purchase and install a Dense Media Separation (“**DMS**”) Plant. The DMS will provide a pre-concentration of copper prior to milling and flotation and is expected to allow mining to a lower cut-off, facilitating processing higher grade material through the concentrator and leading to an overall increase in the contained metal output from the mine. The DMS is anticipated to be constructed and commissioned during the first half of 2011.

The Company is also increasing its activities at Thakadu, 70km from the Mowana Mine. The higher grade mineral resources at Thakadu lend themselves 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 major challenge will be to establish sustained transport between the locations, and management is in advanced planning stages of establishing these routes. The Company had previously planned to achieve the necessary permitting and receive a mining licence during May 2010 but currently expects this to occur in July 2010. It carried out some early mining activities at Thakadu, as permitted by its existing exploration licence, in May 2010. The plan is to commence full mining activities as soon as the mining licences is granted with a progressive increase in mining volumes during 2010.

After a period of inactivity, the Company also resumed exploring its exploration permits at the adjacent Matsitama Project in March 2010. Expenditures are required before mid-2011 to meet the requirements for applying for renewal over a portion or portions of the exploration permits. The Company’s current programme envisages drilling some 8 – 10 new targets before June 2011, and the Company is establishing a panel of experts to assist it in selecting the most promising targets.

## **Financing**

African Copper stabilized its financing structure during the year, replacing \$32.4 million of bridge loan facilities from its significant shareholder ZCI Limited, formerly Zambia Copper Investments Limited (“**ZCI**”) with a four year secured credit facility also provided by ZCI, initially of \$31.1 million but subsequently increased to \$32.4 million. On 31 March 2010, ZCI extended to the Company an additional \$10 million loan, intended in large part to fund the Mowana-related solutions described above. The Company may require additional financing during the year ending 31 March 2011, depending in particular on the rate of progress at Thakadu and the ramp-up of production to full capacity at the Mowana Mine (see “Liquidity and Capital Resource” section of this MD&A).

## **Board of Directors and Management Changes**

African Copper announced several changes to its Board of Directors and senior management during the period:

- On 10 December 2009, the Company announced the resignation of Chris Fredericks as a director and Chief Executive Officer (“**CEO**”) of the Company 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 on 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 third 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. The Company has subsequently recruited and hired a new general manager for the Mowana Mine.
- In May 2009 the Company appointed two new directors to the Board, David Rodier and Jordan Soko. At the same time, it was announced that Michael Evans resigned from the Board and Roy Corrans stepped down from the role of Chairman with David Rodier being appointed Chairman. In June 2009, Tony Williams resigned from the Board and David Jones did not stand for re-election.

## **Designated Foreign Issuer**

On 20 May 2009, as a condition of the closing of funding by ZCI (see “Liquidity and Capital Resources” section in this MD&A), the Company announced it had voluntarily delisted its shares from the Toronto Stock Exchange (“**TSX**”). In addition, as of 1 April 2010, the Company qualified as a “designated foreign issuer” as defined in the Canadian National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* as a result of Canadians holding less than 10% of the equity securities of the Company. The Company is subject to the securities legislation and regulatory requirements of the United Kingdom, including the United Kingdom Companies Act 2006 and the AIM Rules (the “**UK Rules**”). As a designated foreign issuer, the Company will comply with the reporting obligations required by the UK Rules, which will satisfy most Canadian disclosure obligations.

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

## **SUMMARY RESULTS**

The Company changed its accounting reference date during 2009 from 31 December to 31 March to align with ZCI and to streamline its accounting processes, resulting in a transition period of 15 months, with a comparative period of 12 months. Overall, it recorded a net profit for the fifteen months ended 31 March 2010 of \$30.7 million (\$0.05 per ordinary share), compared with a net loss of \$186.7 million (\$1.28 per ordinary share) during the twelve 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 fifteen-month 2010 results were affected in turn by the partial reversal of those losses, reflecting favourable changes in the underlying estimates of expected future cash flows.

## **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 TSX.

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 km<sup>2</sup>, and (within that exploration licence) mining licence 2006/53L, with an area of 32.7 km<sup>2</sup> and valid until the end of 2031.

(2) exploration licence 180/2008, covering an area of 114.4 km<sup>2</sup> 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 prospecting licences contiguous with the Mowana Mine deposit. All the licences are valid and contain prospective areas of mineralization.

With corporate offices in the UK, African Copper has offices in Johannesburg and Francistown and a workforce at the Mowana Mine of more than 200 employees.

Additional information relating to the Company can be found on the Company’s website or under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **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 was at the forefront of the rally in the base metals sector. To the date of this MD&A, copper prices have remained at least at this level, and have significantly exceeded it at times. Copper is an indicator for the world economy and sets the pace for other industrial metals because about two-thirds of all the metal produced is used in electrical applications, according to the Copper Development Association. The copper market has been supported by the high level of Chinese imports and the tightness of the concentrate market. In addition, very stimulative, depression-combating economic policies enacted by global governments have continued to support growth at least for the first half of 2010. However, concern continues whether China and the U.S., the largest consumers, will pare their economic stimulus and curb the liquidity that has helped to support the copper price. In addition, the emerging European sovereign debt problems are putting strain on prospects for Asian and global growth estimates. An Asian economic slowdown in a capital-constrained environment would likely lower global growth, and negatively impact commodity prices. 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**

#### **Overview**

The table below sets out the most recent estimates of proven and probable mineral reserves and additional inferred mineral resources at the Mowana Mine prepared by African Copper geological staff.

SAMREC compliant Proven & Probable In-pit Mineral Reserves and In-pit Inferred Mineral Resources at a 0.25% Cu cut-off as at 31 March 2010:

<b>Category</b>	<b>Tonnage (Mt)*</b>	<b>Copper (%)*</b>	<b>Contained Metal (Tonnes Cu)*</b>
Proven Reserves	7.90	1.26%	99,680
Probable Reserves	3.24	1.60%	52,032
<b>Sub Total</b>	<b>11.15</b>	<b>1.36%</b>	<b>151,712</b>
In-pit Inferred Resources	2.59	1.20%	31,207

*\*rounding of figures may result in minor computational discrepancies*

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

The table below sets out key performance details of the Mowana plant since recommencing operations:

	<b>5<sup>th</sup> Quarter 2010</b>	<b>4<sup>th</sup> Quarter 2009</b>	<b>3<sup>rd</sup> Quarter 2009</b>	<b>Total</b>
Ore processed (Metric tonnes ("MT"))	92,047	148,286	49,925	290,258
Cu grade (%)	1.12	1.25	1.45	1.24
Recovery Cu (%)	38.75	48.90	39.30	45.01
Concentrate produced (Mt)	2,023	3,203	1,141	6,367
Concentrate grade (%)	21.16	28.30	24.97	25.44
Copper produced in concentrate (Mt)	428	907	285	1,620
Concentrates sold (Mt)	2,133	4,535	-	6,667*
Payable copper sold (Mt)	550	975	-	1,525

\*Includes concentrate produced during plant trial runs.

## Current performance

On 21 January 2009, the Mowana Mine had been placed on care and maintenance pending completion of a required financing. With the completion of the funding provided by ZCI in May 2009 operations at Mowana were recommenced in late August 2009. Between August 2009 and 15 June 2010 the plant has produced 8,766Mt of concentrate, at an average concentrate grade of 25.08% copper for 2,199Mt of copper contained in concentrate.

Copper recovery rates peaked at 57.3% in November, in line with the Company's targeted recovery rate of 57%. However, recovery rates subsequently have been lower owing in large part to inconsistent feed bottlenecks in the SnT crushing circuit. Production in May and June 2010 have shown very positive trends with the SnT performing better with the rainy season completed and mobile crusher capacity increasing.

	1 June to 15 June 2010	May 2010	April 2010
Ore processed (Metric tonnes ("MT"))	36,823	50,928	34,191
Cu grade (%)	1.184	1.185	1.198
Recovery Cu (%)	40.4	42.4	36.0
Concentrate produced (Mt)	696	1099	604
Concentrate grade (%)	25.30	23.29	24.41
Copper produced in concentrate (Mt)	176	256	147
Concentrates sold (Mt)	380.6	662	695
Payable copper sold (Mt)	79.92	144	140

The Mowana operations use a series of crushers and screens, progressively converting coarse materials into finer gradations followed by separation of the copper from the waste by flotation. In sequence, Mowana deploys a primary crusher, a SnT crushing circuit, and a ball mill. Following the onset of the 2009-2010 rainy season (the season typically runs from November to March), the SnT circuit turned into a major constraint on Mowana's productivity. When the crushed ore exiting the primary crusher is wet, it can form a sticky mass which has routinely choked up the SnT feeders, chutes and screens. This problem affected the SnT crusher's availability throughout the rainy season, causing it to be frequently shut down and therefore suspending the flow of material from stockpiles.

Mine management took various steps to address the operational bottlenecks. First, it decided to purchase mobile crushing units, allowing it to bypass the SnT in the short term until engineering design changes could be made to the SnT. At the time of the last MD&A, management expected it might take until the end of March 2010 to deliver and install the full mobile crushing capacity. However, the timelines to fulfill the order were longer than anticipated. The units were ultimately online by mid-April 2010, although they remained in a commissioning and learning phase for much of that month. At the present time Amec Minproc, an international engineering firm, is completing the engineering study on the SnT. While this work is being undertaken the SnT is still being operated, albeit at levels below its capacity, to supplement the mobile crusher production. After the engineering design work is completed the SnT is anticipated to be out of service for approximately 3 months to complete the re-construction of the circuit. During this time the mobile crusher capacity operating at full capacity is anticipated to be sufficient to supply the operations.

Secondly, management has budgeted the addition of a washing plant to screen and wash out the fine fraction from the ore before it enters the SnT from the primary crusher ore stockpile. As discussed above, when the ore is wet, these fines can form a sticky mass that choke up feeders, chutes and screens in the SnT. The fines exiting the proposed washing plant will bypass the SnT and be fed directly to the ball mill discharge sump. Amec Minproc is designing the washing plant for fast-track installation by the end of February 2011.

These combined steps are intended to prevent the operational bottlenecks from recurring during the 2011-2012 rainy season. African Copper is taking other steps, not directly related to these bottlenecks, to increase Mowana's productivity. Firstly, in May 2010, the board gave its final approval to purchase and install a DMS. The DMS provides a pre-concentration of copper prior to milling and flotation and is expected to allow mining to a lower cut-off, to facilitate processing higher grade material through the concentrator and to lead to an overall increase in the contained metal output from the mine. The Company originally intended to install a 50tph modular DMS and subsequently to build up, in a modular fashion, to an ultimate capacity of 450tph. However, the addition of the washing plant, by increasing the quality of the ore delivered to the DMS, should allow full effectiveness at a capacity of 200tph. The 200tph DMS plant is being budgeted to be installed during the first half of 2011.

In addition, management decided to seek approval from the Government of Botswana to migrate from its existing dry tailings facility to a more conventional wet tailings system, within which tailings containing significantly more process water are discharged continuously into a tailings pond basin. Design work on the new tailings facility and technical supervision is being undertaken by Scott Wilson Africa. Approval to commence construction of the wet tailings facility was granted on 21<sup>st</sup> May 2010. Construction of the initial phase of the wet tailings facility is anticipated to be completed by September 2010. In the interim, wet tailings are being *deposited into a temporary tailings pond basin*.

The Company is also commencing deep exploration drilling in and around the Mowana mine. The goal of the drilling is to gather the information required for any future underground mining operation at Mowana to be planned in more detail, and to establish the potential for down-plunge continuity of ore to depths of about 500 – 1000 m below and within the core of the postulated Mowana ore zone (extending some 2 – 4 km north of the presently planned mine).

During the period, the Company held successful discussions with its off-take partner MRI Ag, 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.

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

	<b>For the Fifteen months period ended 31 March 2010 US\$</b>
<b>Opening Balance 1 January 2009</b>	18,154,537
Mining Plant and Equipment	3,005,473
Furniture & Computer equipment	14,741
Motor Vehicles	62,663
Depreciation	(1,895,620)
Reversal of Impairment	44,952,152
Foreign Exchange	930,381
<b>Ending balance 31 March 2010</b>	<b>65,224,327</b>

On 21 January 2009, the Company's Mowana Mine was placed on care and maintenance in light of the then current economic events and associated declines in metal prices and the Group's working capital deficit and immediate need to raise at least \$15 million in financing. As a result, expenditures on Mowana infrastructure and mine plant and equipment were kept to a minimum. In addition, as part of the financial restructuring that was completed Messina negotiated final debt settlement agreements with its large trade creditors including its mining contractor and EPCM contractors. As part of these negotiations detailed reconciliations were completed for each account to finalize outstanding amounts. These reconciliations and agreements resulted in the reduction of certain expenditures reported during previous periods. Expenditures were also offset during the 15 month period ended 31 March 2010 by depreciation of \$1.9 million and a foreign exchange gain of \$0.9 million.

The primary addition to Mowana Mine Mining Development and Infrastructure and Mine Plant and Equipment during the period related to a partial reversal of the impairment provision recognized in fiscal 2008. At 30 September 2008 and at 31 December 2008 the Directors undertook a review of mining assets in light of the then economic environment and the Company's need for working capital. As a result during the three months ended 30 September 2008, a write down of \$75.6 million was recorded and a further \$92.4 million write down was recorded during the three months ended 31 December 2008 for a total of \$168.0 million.

At 30 June 2009 and 31 March 2010 the Directors undertook further reviews 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 agreements in May 2009 pursuant to which ZCI agreed to provide the Company and its stakeholders with a comprehensive financing package (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. This 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.

At 30 June 2009, 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 \$46.01 million of the recognized impairment loss recognized in 2008 on the Mowana mine unit no longer existed and that a partial impairment reversal was appropriate at 30 June 2009.

At 31 March 2010, following this review and making estimates of the value in use of the Mowana mine the Directors concluded that no further impairment reversal was required in respect of the Mowana mine or any of the other cash generating units.

In deriving the estimate for the value in use in respect for the Mowana mine at 31 March 2010 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 (\$US per lb):	
Year 1	\$3.05
Year 2	\$2.90
Year 3	\$2.50
Year 4	\$2.25
Year 5	\$2.00
Exchange rate: Pula to \$	6.58
Discount factor	14%
Production period:	
Combined production from Mowana and Thakadu deposits	
5 year ore mined	9.2 million tonnes at 1.04%
5 year ore milled	4.9 million tonnes at 2.0%*

\*Milled tonnage reflects the impact of the proportion of Mowana fee which will be treated via 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 10.0%	\$ 36 million
Increase in OPEX estimates by 10.0%	\$ 19 million
Increase in CAPEX estimates by 10.0%	\$ 4 million
Increase in discount rate by 2%	\$ 3 million

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.

### **Thakadu Project**

The higher grade mineral resources at Thakadu lend themselves 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 business plan envisages transporting 45,000 tons per month to Mowana for treatment, which will require mobilizing anywhere between 12 to 25 trucks per day depending on the operating shift hours selected. Arranging and maintaining this capacity will be the challenge associated with Thakadu, and management is currently in advanced negotiations to put this in place, while also upgrading the road from Thakadu to Mowana.

The Company is awaiting approval of the Environmental Impact Study (“**EIA**”) and Archaeological Impact Assessment (“**AIA**”) required to secure a mining licence for Thakadu. The Company had previously planned to achieve the necessary permitting and receive a mining licence during May 2010 but currently expects this to occur in July 2010. It carried out some early mining activities at Thakadu in May 2010, as permitted by its existing exploration licence. The plan is to commence full mining

activities as soon as the mining licence is granted with a progressive increase in mining volumes during 2010.

The table below sets out 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 Read, Swatman & Voigt (Pty) Ltd (“RSV”) estimates prepared in connection with the preparation of a circular to ordinary shareholders of ZCI dated 17 December 2009, and which appeared in a Competent Persons Report of RSV dated October 2009 (the “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 announcement 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 <sup>(1)</sup> as at 31 March 2010:

<b>Category</b>	<b>Tonnage (Mt)*</b>	<b>Copper (%)*</b>	<b>Contained Metal (Tonnes Cu)*</b>
Proven Reserves	Nil	Nil	Nil
Probable Reserves	2.77	2.15%	59,477
Sub Total	2.77	2.15%	59,477
<i>*rounding of figures may result in minor computational discrepancies</i>			

(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.

### **Matsitama Project**

In line with market conditions and management’s need to aggressively reduce overheads until it secured working capital finance, activity relating to the exploration permits at the Matsitama Project was curtailed during the fourth quarter of fiscal 2008. The Company re-commenced activities at Matsitama in March 2010. Expenditures are required before mid-2011 to meet the requirements for applying for renewal over a portion or portions of the exploration permits.

The current programme envisages drilling some 8 – 10 new targets before June 2011. The new targets will be selected by utilizing the Company’s extensive existing datasets, and establishing a panel of six recognized international experts with relevant experience regarding the mineralisation considered to represent the most likely targets within the Matsitama exploration permits. These consultants have all been selected and confirmed their availability to participate. The strategy includes recruiting an Exploration Manager with appropriate expertise, management skills and experience.

The Company held an initial field workshop on site at Mowana Mine in May 2010 to review the existing exploration databases and ensure they will support the target-selection process, and to commence preparations for anticipated field work and drilling programmes. The datasets were confirmed to be in good order for the future planned workshops, and a start was made on selecting key zones of interest and eliminating zones considered to be of low priority. Two immediate high priority anomalies were identified as drill targets. The Company plans to hold the next target selection workshop at the Matsitama camp in July 2010.

A consultant has been contracted to provide a geologist to resurrect the Matsitama field camp and to supervise the geological work required for the start of drilling. Quotes are being obtained to enhance the regional airborne magnetic survey data and make this dataset more useful, and several other enquiries are underway regarding the availability and cost of certain other geophysical datasets which might contribute towards identifying new targets within the permit area.

### **OVERALL FINANCIAL PERFORMANCE FOR THE THREE MONTHS ENDED 31 MARCH 2010**

The Company recorded a net loss for the three months ended 31 March 2010 of \$5.41 million (\$0.07 per ordinary share), compared with a net loss of \$1.72 million (\$0.01 per ordinary share) during the three months ended 31 March 2009. As evidenced in the table below, the increased loss for the

three month period ended 31 March 2010 compared to the loss for the previous period was primarily related to the commencement of operations at the Mowana mine and operating losses incurred as the plant was not operated at full capacity. Higher insurance costs related to the operation of the Mowana mine and foreign exchange losses were also contributing factors.

	<b>Three months ended 31 March</b>	
	<b>\$</b>	
	<b>2010</b>	<b>2009</b>
Sales revenue	3,287,244	-
Operating costs excluding amortization	(5,062,874)	-
Amortization of mining properties and equipment	(329,760)	-
Operating loss from mining operations	(2,105,390)	-
G&A, consultants, salaries and benefits	(623,855)	(601,246)
Insurance	(147,858)	(10,533)
Directors' fees	(43,255)	(67,905)
Investor relations and public company admin	(28,367)	(45,283)
Travel, accommodation	(41,391)	(29,591)
Professional fees	(278,471)	(285,911)
Share based compensation	(1,511)	(12,981)
Deferred bond raising fees	(24,143)	-
Depreciation	(40,875)	-
Foreign exchange loss	(913,617)	(2,605)
Operating loss	(4,248,733)	(1,056,055)
Investment income	13,443	9,057
Interest expense	(1,176,581)	(675,603)
Net loss	(5,411,871)	(1,722,601)

#### **OVERALL FINANCIAL PERFORMANCE FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2010**

The Company changed its accounting reference date during 2009 from 31 December to 31 March to align with ZCI and to streamline its accounting processes, resulting in a transition period of 15 months. For purposes of comparability, given the transition year, the following discussion is being presented on the basis of an unaudited fifteen month comparative period constructed by aggregating the audited results for the year ended 31 December 2008 and the unaudited results for the three months ended 31 March 2009.

The Company recorded a net profit for the 15 months ended 31 March 2010 of \$30.71 million (\$0.05 per ordinary share), compared with a net loss of \$148.92 million (\$1.28 per ordinary share) during the 15 months ended 31 March 2009. As evidenced in the table below, the profit for the current 15 month period, compared to the loss for the 15 months ended 31 March 2009, reflects the \$46.01 million partial reversal in 2009 of a \$142.27 million impairment provision recognized in the 15 months ended 31 March 2009.

	<b>15 Months ended 31 March</b>	
	<b>\$</b>	
	<b>2010</b>	<b>2009</b>
Sales revenue	7,392,466	-
Operating Costs excluding amortization	(11,838,918)	-
Amortization of mining properties and equipment	(1,104,345)	-
Operating loss from mining operations	(5,550,797)	-
G&A, consultants, salaries and benefits	(4,239,701)	(3,568,772)
Insurance	(684,017)	(58,509)
Directors fees	(202,784)	(149,735)
Investor relations and public company admin	(268,483)	(375,562)
Travel, accommodation	(274,548)	(322,760)
Professional fees	(1,753,193)	(1,075,047)
Share based compensation	(33,100)	(99,407)
Deferred bond raising fees	(442,303)	(42,444)
Depreciation	(199,549)	-
Foreign exchange gain/(loss)	2,074,563	(879,757)
Hedging loss	-	496,813
Impairment of property, plant and equipment	-	(132,473,392)
Impairment of deferred exploration	-	(9,794,452)
Reversal of Impairment of property, plant and equipment	46,013,446	-
Operating profit/(loss)	34,439,534	(148,343,024)
Investment income	44,275	1,956,892
Interest expense	(3,769,552)	(2,528,714)
Net profit/(loss)	30,714,257	(148,914,846)

***Operating loss from mining operations:***

During the 15 months ended 31 March 2010, the Company had sales revenue of \$7.39 million (2009: Nil amount) and operating costs of \$11.84 million (2009: 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 period.

***General and administration, consultants, salaries and benefits:***

During the 15 months ended 31 March 2010, the Company incurred a total of \$4.24 million (2009: \$3.57 million) in salaries, general and administrative expenses. Costs in the current period reflected certain termination costs incurred during the restructuring that was completed while the Mowana Mine was on a care and maintenance basis including \$340,000 in "change of control" payments required under certain employment contracts.

***Directors' Fees:***

During the 15 months ended 31 March 2010, the Company incurred a total of \$202,784 (2009: \$149,735) in Director fees. The Directors' fees of \$202,784 include an amount of \$48,887 payable to UK HM Revenue and Customs ("HMRC") in respect of a UK Pay As You Earn ("PAYE") audit. An additional amount of \$6,617 interest payable to HMRC on late payment is accounted for in the interest expense. The increase also reflects changes 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 \$268,483 compared with \$375,562 for the same period ended 31 March 2009. During the current 15 month period ended 31 March 2010, investor relations costs were less as the Company restructured.

***Travel, accommodation:***

Travel and accommodation costs decreased to \$274,548 during the fifteen months ended 31 March 2010 compared with \$322,760 for the same 15 month period ended 31 March 2009. 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 during the six months ended 31 March 2010 when increased travel took place as part of the recommencement of operations at the Mowana Mine.

**Professional fees:**

Professional fees increased to \$1,753,193 during the fifteen months ended 31 March 2010 compared to \$1,075,047 for the same 15 month period ended 31 March 2009. The increase in the current period 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 incurred between April and June 2009.

**Share-based compensation:**

Share based compensation expenses of \$33,100 (2009: \$99,407) are non-cash expenses and reflect the derived value of stock options vested during the period. During the fifteen months ended 31 March 2010 no options were granted (2009: nil). The grant date fair value of stock options is amortized to the Income Statement over the period in which the options vest.

**Bank interest receivable:**

Bank interest receivable for 15 months ended 31 March 2010 decreased to \$44,275 from \$1.96 million for the same period in 2009. The lower bank interest receivable related to lower average cash balances and interest rates throughout the current 15 month period compared to the previous comparable period.

**Interest Expense and Deferred Bond Raising Fees:**

Interest expense and amortization of deferred bond raising fees increased to \$4,211,855 during the fifteen months ended 31 March 2010 compared to \$2,571,158 for the same 15 month period ended 31 March 2009.

The \$4,211,855 expense for the fifteen months ended 31 March 2010 relates to interest charges on the BWP 150 million (\$13.2 million) bond placed with Botswana institutions (the “**Botswana Bond**”) until it was settled in June of 2009 and interest charges on the ZCI Financing Package (see “*Liquidity and Capital Resources*” section in this MD&A). During the earlier 15-month period ended 31 March 2009, interest expense of \$2,571,158 related to the Botswana Bond.

**Foreign exchange:**

During fifteen months ended 31 March 2010, the Company recorded a foreign exchange gain of \$2,074,563 compared to a loss of \$879,757 in the comparative 15 month period ended 31 March 2009, primarily related to the revaluation of the \$ denominated loans on Messina’s Pula-denominated financial statements.

**SUMMARY OF ANNUAL RESULTS**

The Company was incorporated on 11 February 2004. The Company’s reporting currency is \$. The Company’s subsidiary functional currencies include: Mortbury (Sterling), Messina (Pula) and Matsitama Minerals (Proprietary) Limited (Pula). The following table sets out selected annual information on the Company, which data has been prepared in accordance with applicable IFRS:

	<b>Fifteen Months ended 31 March 2010 (audited) (\$)</b>	<b>Year ended 31 December 2008 (audited) (\$)</b>	<b>Year ended 31 December 2007 (audited) (\$)</b>
Interest Income	44,275	1,953,951	5,945,206
Sales Revenue	7,392,466	-	-
Operating expenses	(23,277,516)	149,608,387	5,711,456
(Profit)/Loss before tax	(30,714,257)	147,654,435	(233,750)
(Profit)/Loss after tax	(30,714,257)	147,654,435	(233,750)
Basic Loss/(Earnings) per ordinary share	\$(0.05)	\$1.28	\$0.18
Diluted Loss/(Earnings) per ordinary share	\$(0.05)	\$1.28	\$0.18
Total assets	78,351,602	23,820,115	165,062,795
Total liabilities	(61,354,996)	(42,352,051)	(13,822,036)
Shareholders’ equity	16,996,606	(18,531,938)	151,240,759

The fiscal 2008 results were heavily affected by impairment losses recognized on the Mowana Mine property, plant and equipment, and the fifteen-month ended 31 March 2010 results were affected in turn by the partial reversal of those losses, reflecting favourable changes in the underlying estimates of expected future cash flows. Please see “Overall Financial Performance for Fifteen Months Ended 31 March 2010” in this MD&A for a detailed description of the fifteen-month ended 31 March 2010 profit compared to the fifteen-month ended 31 March 2009 loss.

### **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 March 2010	3,287,244	(5,411,871) <sup>(1)</sup>	(0.05)	(0.05)
31 December 2009	4,248,179	(6,014,424)	(0.07)	(0.07)
30 September 2009	-	(1,304,354)	(0.02)	(0.02)
30 June 2009	-	47,581,149 <sup>(2)</sup>	0.16	0.16
31 March 2009	-	(1,722,602)	(0.13)	(0.13)
31 December 2008	-	(81,809,992) <sup>(2)</sup>	(0.56)	(0.56)
30 September 2008	-	(76,905,996) <sup>(2)</sup>	(0.53)	(0.53)
30 June 2008	-	(3,166,818) <sup>(3)</sup>	(0.22)	(0.22)

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 March 2010” in this MD&A for an explanation of the financial results and related period-to-period changes for the three months ended March 2009.
- (2) The quarters ended 31 December 2008 and 30 September 2008 results were heavily affected by impairment losses recognized on the Mowana Mine property, plant and equipment, and the quarter ended 30 June 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.
- (3) A principal component of the net loss of \$3.18 million during the quarter ended 30 June 2008 related to a \$1.62 million 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 March 2010, the Company had cash and cash equivalents of \$10.05 million (31 December 2008 –\$2.5 million) and a working capital deficit of \$12.62 million compared to a working capital deficit of \$33.48 million at 31 December 2008. The improvement in the working capital deficit primarily reflects the replacement of the ZCI bridge loans, which were classified as current liabilities, by a four year secured credit facility, as described further below.

#### **Amounts owed to ZCI**

On 9 May 2009 the Company announced it had entered into agreements pursuant to which ZCI agreed to provide the ZCI Financing Package.

The ZCI Financing Package comprised:

- a \$7 million initial bridge loan facility, made available to Messina on 13 May 2009 (the “**Initial Bridge Loan**”);
- a \$25.4 million second bridge loan facility, made available to Messina on 18 May 2009 (the “**Second Bridge Loan**”);
- a \$9.9 million share subscription, completed on 22 May 2009 (the “**Share Subscription**”); and

- a \$31.1 million four-year convertible loan facility, signed on 18 June 2009 and subject to ZCI approval which was provided in January 2010 (the “**Convertible Loan Facility**”). The Convertible Loan Facility was subsequently increased to approximately \$32.4 million.

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

The Company initially received the Initial Bridge Loan and the Second Bridge Loan pending completion of the conditions for the Convertible Loan Facility. In January 2010, after ZCI received approval from its shareholders, the Initial Bridge Loan and Second Bridge Loan converted into obligations under the four-year Convertible Loan Facility. Of this obligation, \$8,379,100 bears interest at 12% per annum and is convertible into ordinary shares of African Copper at a conversion price of 1p per share and \$22,750,000 bears interest at 14% per annum. The \$22,750,000 was subsequently increased to \$24,032,900. Borrowings under this Convertible Loan Facility have been guaranteed by African Copper and all other African Copper group companies and are secured over Messina's assets including a share pledge over the shares of Messina.

On 26 March 2010 the board of directors of ZCI resolved that the interest payment on the Tranche B Convertible Loan due by the Company on 31 March 2010 be postponed for a period of one year until 31 March 2011.

On 31 March 2010, ZCI extended to the Company an additional \$10 million loan (the “**March Facility**”), intended in large part to fund the Mowana-related solutions described above. The March Facility has an interest rate of 6% per annum payable quarterly, to be repaid on or before 31 March 2011 but renewable subject to ZCI giving its written consent to the renewal prior to the repayment date. This amount is secured in the same way as borrowings under the Convertible Loan Facility, as described above.

Also, in May 2009 ZCI acquired certain debts due by the Group to its suppliers, representing \$9.44 million (the “**ZCI Trade Debts**”). ZCI has not specified any repayment terms for these liabilities.

The total financial statement liability to ZCI at 31 March 2010 is as follows:

	<b>\$000's</b>
Convertible Loan Facility – convertible (non-current liability)	7,891
Convertible Loan Facility – non-convertible (non-current liability)	24,033
March Facility (current liability)	10,000
ZCI Trade Debts (current liability)	9,445
<b>Total</b>	<b>51,369</b>

This obligation is payable in the following periods:

	<b>Due or due in less than 1 month US\$000's</b>	<b>Due between 1 to 3 Months US\$000's</b>	<b>Due between 3 months and 1 year US\$000's</b>	<b>Due between 1 to 5 Years US\$000's</b>
Due to ZCI	9,445	-	-	41,924

## Liquidity

As a result of the bottlenecks at Mowana and the additional plans described above, the Company utilized more working capital than it previously expected and identified additional working capital and capital equipment financing requirements.

After reviewing the detailed financial mine plan including the impact of the completed March Facility, the nearness of anticipated commercial production rates at Mowana and the current market price of copper, the Board has concluded that the Company will likely have a requirement for additional working capital in the next 12 months. It currently expects this requirement to be at a level that can be financed within current markets. In anticipation of these working capital needs, the Company's subsidiary Messina intends to restart discussions with third party finance providers regarding a working capital credit facility. Given the completion of the March Facility, Messina had suspended negotiations with a number of providers until the Mowana mine reached more steady production levels. However, in the event that ZCI demands payments of the ZCI Trade Debts within this 12

month period, or that the Company experiences further delays in reaching commercial production rates or any material reductions in tonnages grades and/or recovery rates and overruns or lower copper prices, this requirement would be accelerated and the Company would need to seek greater additional working capital financing than it currently anticipates.

Management also intends to further evaluate the possibility of constructing a processing plant at the Thakadu deposit and 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 will be required to develop the Thakadu processing plant and underground portion of the mine and 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 working capital and/or project 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.

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 and on successfully managing the other liquidity-related issues described.

### **CONTRACTUAL OBLIGATIONS**

At 31 March 2010, the Group's contractual obligations aggregated \$4.73 million:

<b>Contractual Obligations</b>	<b>Total</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013 and thereafter</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Goods, services and equipment <sup>(a)</sup>	3,436	3,330	106	-	-
Exploration licences <sup>(b)</sup>	1,015	-	1	1,014	-
Mining licence	6	1	1	4	-
Lease agreements <sup>(c)</sup>	276	143	124	9	-
	<b>4,733</b>	<b>3,474</b>	<b>232</b>	<b>1,027</b>	<b>-</b>

(a) The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services and 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.

At 31 March 2010, outstanding share options represented a total of 2,935,000 ordinary shares issuable for maximum aggregate proceeds of \$3,440,027 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 \$84,886 (2008 - Nil) for the three months ended 31 March 2010 and \$417,614 (2008 - Nil) for the fifteen months ended 31 March 2010 by iCapital Limited ("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 March 2010 in an aggregate amount of approximately \$51.37 million. See Note 19 of the Financial Statements.

### **FINANCIAL INSTRUMENTS**

The Group's principal financial liabilities comprise trade payables, purchase contracts, guarantees on debts owed to ZCI and accrued expenses. The Group has various financial assets such as cash and

cash equivalents, provisional revenue receivables and interest receivables, which arise directly from its operations. In addition, the Company's financial assets include amounts due from subsidiaries. These financial instruments are denominated in Sterling, Pula, Rand, \$ and Canadian dollars. These accounts are recorded at cost which approximates their fair value. The Company experiences financial gains or losses on these accounts as a result of foreign exchange movements against the US dollar. The Company is exposed to currency risk related to the exploration development and operating expenditures of its Mowana mine and Matsitama Project since it settles the majority of these expenditures either in local currency Pula or Rand. These expenditures are negatively impacted by increases in value of either Pula or Rand versus the \$. As mine development and operation costs are incurred and purchase commitments made for the further development of the Mowana Mine, the Company may acquire Pula and Rand or use derivative positions to lock in these costs in \$, if it believes it prudent to do so. The Company did not engage in any hedging activities during the fifteen months ended March 31, 2010 or the comparative period.

The Company has occasionally used copper put contracts in the past to manage financial risks associated with its underlying business activities, but has not done so during the fifteen months ended March 31, 2010.

The fair values of the Company's financial instruments do not differ materially from the carrying amounts shown in the balance sheet.

## **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 generate positive cashflow from operations at the Mowana Mine.

**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. (see "Liquidity and Capital Resources" in this MD&A)**

More information on these and other risks is set out in detail in the Annual Information Form filed on SEDAR for the 15 months ended 31 March 2010.

## **CHANGES IN ACCOUNTING POLICIES**

There are no standards or interpretations that have been issued but are not yet effective that are expected to have a material effect on the financial statements in the future, except in the event of future business combinations. These changes would be treated only prospectively and only affect acquisitions made in the future financial years.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to financial and operational conditions impacting disclosure for the 15 months ended 31 March 2010 is made known to them. Management of the

Company, with the participation of the Chief Executive Officer and the Chief Financial Officer have, as at the 31 March 2010 financial period end:

(a) designed disclosure controls and procedures, or caused it to be designed under the Company's supervision, to provide reasonable assurance that:

- (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
- (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed Internal Controls over Financial Reporting, or caused it to be designed under the Company's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

All reasonable controls have been implemented and are operating effectively as designed to prevent and detect any material fraud and misstatement.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of internal controls over financial reporting. The design includes policies and procedures that:

- Pertain to the maintenance of records;
- Provide reasonable assurance that transactions are recorded accurately and that receipts and expenditures are made in accordance with the authorizations of management and directors; and
- Provide reasonable assurance in the prevention and timely detection of material unauthorized acquisition, use or disposal of the Company's assets.

On an annual basis, management evaluates the effectiveness of internal controls over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') framework to assess the effectiveness of the Company's internal controls over financial reporting. Management conducted an evaluation of the effectiveness of internal controls over financial reporting and concluded that they were effective as at 31 March 2010.

During the 15 months ended 31 March 2010 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.

	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number</b>	<b>Number</b>
<b>Ordinary common shares-</b>				
Opening Balance 1 January 2009			146,858,957	
Shares issued on 28 April 2009			43	
Shares issued on 22 May 2009			676,570,500	<b>823,429,500</b>
<b>Share purchase options</b>				
	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	<b>2,935,000</b>

## **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 and the prevention of operational bottlenecks, the Company’s expectation of the SnT and washing plant installed by February 2011, the DMS commissioned the first half of 2011 and the initial phase of the wet tailings completed by September 2010, the mobile crushers capacity sufficient to supply the operations, the additional amount of working capital and capital equipment financing required, the Company’s expectation that ZCI will not require immediate repayment of the amounts owed to it including amounts owed in respect of the ZCI Trade Debts, the Company’s expectations that additional funding will be available from ZCI, the Company’s expectation that its working capital needs will be at a level that can be financed within current markets, 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 conclusion no further impairment reversal required at 31 March 2010, 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, any further financing required for additional working capital and/or project finance being provided by ZCI or other financial institutions, the possible working capital requirement is at a level that can be financed within current markets, the implementation of the mobile crushing units, washing plant, the redesigned SnT and wet tailings facility to address bottlenecks thereby enabling the Mowana Mine to reach full production levels and the timing of implementation thereof, the timing of commissioning of the DMS, the timing of receiving the Thakadu mining licence, 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 and that a further reversal was not required at 31 March 2010, 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 Debt Acquisitions and the March Facility, further working capital or project financing not being sufficient or available to meet the Company’s necessary working capital and equipment 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 an effective way to temporarily bypass the SnT to improve production efficiency, the completion of the initial phase of the 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 ZCI Debt Acquisitions, 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, possible delays or ability to contract the necessary transportation arrangements between Thakadu and Mowana, 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](http://www.sedar.com).

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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## **DIRECTORS' REPORT**

The Directors present their report with the consolidated financial statements of the Company for the 15 month period ended 31 March 2010.

The Financial Statements are presented in US dollars following a management decision to change the reporting currency from Pounds Sterling during the period. The change has been made to reflect the profile of the Group's revenue which as a result of commencing commercial production at the Mowana mine in Botswana has now started to be generated in US dollars. All comparative information has been restated into US dollars.

The Company changed its accounting reference date during 2009 from 31 December to 31 March to align with ZCI Limited (formerly Zambia Copper Investments Limited) ("ZCI") which is also the immediate controlling entity of the Company and to streamline its accounting processes, resulting in a transition period of 15 months, with a comparative period of 12 months.

## **PRINCIPAL ACTIVITY**

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

## **BUSINESS REVIEW**

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

## **RESULTS**

The Group profit after taxation for the period was US\$30,714,257 compared to a loss in 2008 of US\$186,668,766.

## **PROPOSED DIVIDEND**

The Directors do not recommend the payment of a dividend for the year (2008: nil).

## **DIRECTORS**

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

D Rodier	Chairman (appointed 22 May 2009)
B R Kipp	Finance Director
J Soko	Acting Chief Executive Officer (appointed 22 May 2009)
R D Corrans	Non-Executive
Prof S Simukanga	Non-Executive (appointed 29 October 2009)
C Fredericks	Chief Executive Officer (Resigned on 29 December 2009)
D Jones	Non-Executive Deputy Chairman (Resigned on 29 June 2009)
M J Evans	Non-Executive (Resigned on 22 May 2009)
A J Williams	Non-Executive (Resigned on 18 June 2009)

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

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

<i>Director</i>	<i>Shares held at 31 March 2010</i>	<i>Shares held at 31 December 2008</i>	<i>Share Options held at 31 March 2010</i>	<i>Share Options held at 31 December 2008</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
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

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 period, 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 29 June 2010 the Company was aware of the following substantial share interests

	<b>Ordinary shares</b>	<b>%</b>
ZCI Limited	676,570,500	82.16

### SHARE CAPITAL

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 a proposed financing with Natasa Mining Ltd (the "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.

### CREDITOR PAYMENT TERMS

It is the Group's policy to settle all amounts due to creditors in accordance with agreed terms of supply and market practice in the relevant country. The Company's average creditor payment period at 31 March 2010 was 30 days.

### CORPORATE GOVERNANCE

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

guidance issued by the Quoted Companies Alliance, to the extent the Directors consider appropriate, having regard to the size of the Company and its current stage of development.

The Board of African Copper is currently made up of two executive directors and four non-executive directors. Mr. David Rodier chairs the Board and Mr. Jordan Soko is the Company's acting 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 Jordan Soko and Prof Stephen Simukanga. 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, David Rodier and Prof Stephen Simukanga 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 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's principal financial liabilities comprise trade payables, purchase contracts, guarantees on debts owed to ZCI and accrued expenses. The Group has various financial assets such as cash and cash equivalents, provisional revenue receivables and interest receivables, which arise directly from its operations. In addition, the Company's financial assets include amounts due from subsidiaries.

The Group sells its copper concentrate under pricing arrangements whereby the quoted period established for each sale contract to finalize the sales price is the month subsequent to the month of delivery, within which the contract is required to be settled, Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in copper market prices result in the existence of an embedded derivative in the accounts receivable.

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 Group has guaranteed the borrowings of Messina. The primary indebtedness is to ZCI which is also the immediate controlling entity of the Company.

The financial risk management objectives and policies and foreign currency, liquidity, interest, commodity price and credit risks are discussed in note 27 to the accounts.

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Group made no political contribution and no charitable donation during period ended 31 March 2010 2008 (2008: Nil).

#### **AUDITORS**

PKF (UK) LLP

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Brad Kipp', written in a cursive style.

Brad Kipp  
Chief Financial Officer  
29 June 2010

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the directors' 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, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they 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;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and 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 financial statements of African Copper plc for the period ended 31 March 2010 which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion;

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – going concern and adequacy of project finance**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and the company's ability to continue as a going concern. The group has not generated positive cashflows from its operations to date and forecasts that it will require additional working capital during the next twelve months, regarding which it has entered into discussions with providers of finance to secure a working capital facility. In addition, the directors are evaluating further developments which, if progressed, will require additional project funding. 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 group's and the company's ability to continue as a going concern. If the group is unable to secure such additional funding, this may have a consequential impact on the related assets at group level and the investment in subsidiary undertakings within the parent company balance sheet. The financial statements do not include the adjustments that would result if the group and the company was unable to raise the additional working capital facility or project finance.

### **Separate opinion in relation to IFRSs**

As explained in Note 2(b) to the group financial statements the group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jason Homewood (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory auditors



London, UK  
29 June 2010

**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 period ended 31 March 2010 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 period ended 31 March 2010 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*

PKF (UK) LLP  
London, UK  
29 June 2010



**African Copper Plc**  
**Consolidated Statement of Comprehensive Income**

	Note	For period ended 31 March 2010 US\$'000	For year ended 31 December 2008 US\$'000
<b>Continuing operations</b>			
Sales Revenue	3	7,392	-
Operating costs excluding amortization		(11,839)	-
Amortization of mining properties and equipment		(1,104)	-
Operating loss from mining operations		(5,551)	-
Foreign exchange gain/(loss)		2,075	(1,112)
Administrative expenses		(7,865)	(5,781)
Share based payment		(33)	(110)
Depreciation		(199)	-
Gain on derivative financial instruments		-	630
Impairment of property, plant and equipment		-	(168,002)
Impairment of deferred exploration		-	(12,422)
Reversal of impairment of property, plant and equipment		46,013	-
<b>Operating profit/(loss)</b>	4	34,440	(186,797)
Investment income		44	2,470
Other income		-	8
Finance costs		(3,770)	(2,350)
<b>Profit/(loss) before tax</b>		30,714	(186,669)
Income tax expense	6	-	-
<b>Profit/(loss) for the period from continuing operations attributable to equity shareholders of the parent company</b>		30,714	(186,669)
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		(6,288)	5,973
Net gain on cash flow hedge		-	4,670
Net gain on cash flow hedge removed from equity and reported in profit and loss		-	(3,193)
<b>Other comprehensive (expenditure)/income for the period, net of tax</b>		(6,288)	7,450
<b>Total comprehensive income/(loss) for the period attributable to equity shareholders of the parent company</b>		24,426	(179,219)
Basic earnings/(loss) per ordinary share	7	\$0.05	\$(1.28)
Diluted earnings/(loss) per ordinary share	7	\$0.05	\$(1.28)

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

**African Copper Plc**  
**Balance Sheets**

	Note	Group As at 31		Company As at 31	
		March 2010 US\$'000	December 2008 US\$'000	March 2010 US\$'000	December 2008 US\$'000
<b>ASSETS</b>					
Property, plant and equipment	8	65,224	18,154	-	-
Deferred exploration costs	9	38	-	1	-
Other financial assets	10	327	283	-	-
Long term receivables	11	-	-	12	-
Investments in subsidiaries	12	-	-	8,396	-
<b>Total non-current assets</b>		<b>65,589</b>	<b>18,437</b>	<b>8,409</b>	<b>-</b>
Other receivables and prepayments	14	936	1,705	98	85
Inventories	15	1,780	1,144	-	-
Cash and cash equivalents	16	10,047	2,534	150	1,116
<b>Total current assets</b>		<b>12,763</b>	<b>5,383</b>	<b>248</b>	<b>1,201</b>
<b>Total assets</b>		<b>78,352</b>	<b>23,820</b>	<b>8,657</b>	<b>1,201</b>
<b>EQUITY</b>					
Issued share capital	17	13,469	2,911	13,469	2,911
Share premium		162,328	162,328	162,328	162,328
Other reserve- ZCI convertible loan		502	-	502	-
Merger reserve		-	-	17,135	17,135
Acquisition reserve		8,931	8,931	-	-
Foreign currency translation reserve		(2,859)	3,429	(15,395)	(15,207)
Accumulated losses		(165,374)	(196,131)	(169,481)	(166,475)
<b>Total equity</b>		<b>16,997</b>	<b>(18,532)</b>	<b>8,558</b>	<b>692</b>
<b>LIABILITIES</b>					
Asset retirement obligation	22	4,051	3,488	-	-
Amounts payable to ZCI Ltd	19	31,924	-	-	-
Guarantee contract liability	20	-	-	-	-
<b>Total non-current liabilities</b>		<b>35,975</b>	<b>3,488</b>	<b>-</b>	<b>-</b>
Trade and other payables	23	5,935	19,481	99	509
Amounts payable to ZCI Ltd	19	19,445	-	-	-
Interest bearing borrowings	21	-	19,383	-	-
<b>Total current liabilities</b>		<b>25,380</b>	<b>38,864</b>	<b>99</b>	<b>509</b>
<b>Total equity and liabilities</b>		<b>78,352</b>	<b>23,820</b>	<b>8,657</b>	<b>1,201</b>

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.  
The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2010 and signed on their behalf by:

*"Brad Kipp"*  
Director

*"Roy Corrans"*  
Director

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

	Note	Share Capital US\$'000	Share Premium US\$'000	Acquisition Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Hedging/ Other (ZCI) Reserve US\$'000	Accumulated Loss US\$'000	Total Equity US\$'000
<b>Balance at 1 January 2008</b>		2,779	153,193	8,931	(2,403)	(1,618)	(9,642)	151,240
Foreign exchange adjustments		-	-	-	5,832	141	-	5,973
Fair value gain on cash flow hedge instruments		-	-	-	-	4,670	-	4,670
Net loss on cashflow hedge removed from equity and reported in profit and loss		-	-	-	-	(3,193)	-	(3,193)
Total comprehensive income recognised directly in equity		-	-	-	5,832	1,618	-	7,450
Loss for the year		-	-	-	-	-	(186,669)	(186,669)
Total comprehensive income for the year		-	-	-	5,832	1,618	(186,669)	(179,219)
New share capital subscribed	17	132	9,135	-	-	-	-	9,267
Credit arising on share options		-	-	-	-	-	180	180
<b>Balance at 31 December 2008</b>		<b>2,911</b>	<b>162,328</b>	<b>8,931</b>	<b>3,429</b>	<b>-</b>	<b>(196,131)</b>	<b>(18,532)</b>
Foreign exchange adjustments		-	-	-	(6,288)	-	-	(6,288)
Total comprehensive income recognised directly in equity		-	-	-	(6,288)	-	-	(6,288)
Loss for the period		-	-	-	-	-	30,714	30,714
Total comprehensive income for the period		-	-	-	(6,288)	-	30,714	24,426
New share capital subscribed	17	10,558	-	-	-	-	-	10,558
Credit arising on share options		-	-	-	-	-	43	43
Equity component of ZCI convertible loan		-	-	-	-	502	-	502
<b>Balance at 31 March 2010</b>		<b>13,469</b>	<b>162,328</b>	<b>8,931</b>	<b>(2,859)</b>	<b>502</b>	<b>(165,374)</b>	<b>16,997</b>

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

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

	Note	Share Capital US\$'000	Share Premium US\$'000	Merger Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Hedging/ Other (ZCI) Reserve US\$'000	Accumulated Loss US\$'000	Total Equity US\$'000
<b>Balance at 1 January 2008</b>		2,779	153,193	17,135	-	(1,618)	(652)	170,837
Fair value gain on cash flow hedge instruments		-	-	-	-	4,670	-	4,670
Net loss on cashflow hedge removed from equity and reported in profit and loss		-	-	-	-	(3,193)	-	(3,193)
Foreign exchange due to conversion from GBP to US		-	-	-	(15,207)	141	-	(15,066)
<b>Total comprehensive income recognised directly in equity</b>		-	-	-	(15,207)	1,618	-	(13,589)
<b>Loss for the year</b>		-	-	-	-	-	(165,856)	(165,856)
<b>Total comprehensive income for the year</b>		-	-	-	(15,207)	1,618	(165,856)	(179,445)
New share capital	17	132	9,135	-	-	-	-	9,267
Credit arising on share options		-	-	-	-	-	33	33
<b>Balance at 31 December 2008</b>		2,911	162,328	17,135	(15,207)	-	(166,475)	692
Loss for the period		-	-	-	-	-	(3,007)	(3,007)
Foreign exchange due to conversion from GBP to US Dollar		-	-	-	(188)	-	-	(188)
<b>Total comprehensive loss for the period</b>		-	-	-	(188)	-	(3,007)	(3,195)
New share capital subscribed	17	10,558	-	-	-	-	-	10,558
Credit arising on share options		-	-	-	-	-	1	1
Equity component of ZCI convertible loan		-	-	-	-	502	-	502
<b>Balance at 31 March 2010</b>		13,469	162,328	17,135	(15,395)	502	(169,481)	8,558

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

**African Copper Plc**  
**Consolidated cash flow statement**

	Note	15 Month Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
<b>Cash flows from operating activities</b>			
Operating profit/(loss) from continuing operations		34,440	(186,797)
Decrease in receivables		725	1,302
Increase in inventories		(636)	(1,445)
Decrease in payables		(4,101)	(167)
Share based payment expense		33	109
Impairment of property, plant and equipment		-	168,002
Impairment of deferred exploration		-	12,422
Reversal of impairment of property, plant and equipment		(46,013)	-
Hedging gain		-	(630)
Foreign exchange profit/loss		(2,075)	1,112
Depreciation and amortization		1,303	-
<b>Cash used in operating activities</b>		<b>(16,324)</b>	<b>(6,092)</b>
Interest received		44	2,470
Other income		-	8
Finance costs		(3,770)	(2,350)
<b>Net cash outflow from operating activities</b>		<b>(20,050)</b>	<b>(5,964)</b>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment		(8,075)	(72,355)
Payments of deferred exploration expenditures		(38)	(4,566)
Sale of cash flow hedging instruments		-	5,453
Receipts to other financial assets		-	7,216
<b>Net cash outflow from investing activities</b>		<b>(8,113)</b>	<b>(64,252)</b>
<b>Cash flows from financing activities</b>			
Issue of equity share capital, net of issue costs		10,558	9,267
Repayment/Proceeds from interest bearing borrowings		(19,383)	24,504
ZCI Convertible loan- share premium		502	-
Proceeds from ZCI Convertible/non-convertible loans		31,924	-
Proceeds from ZCI March 2010 Facility		10,000	-
<b>Net cash outflow from financing activities</b>		<b>33,601</b>	<b>33,771</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>5,438</b>	<b>(36,445)</b>
Cash and cash equivalents at beginning of the period		2,534	40,761
Exchange (loss)/gain		2,075	(1,782)
<b>Cash and cash equivalents at end of the period</b>	16	<b>10,047</b>	<b>2,534</b>

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

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

	Note	15 Month Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
<b>Cash flows from operating activities</b>			
Operating loss from continuing operations		(2,919)	(166,565)
(Increase)/Decrease in receivables		(13)	73
(Decrease)/Increase in payables		(410)	167
Share based payment expense		-	-
Impairment of property, plant and equipment		-	2,214
Impairment of deferred exploration		-	380
Impairment of investments and long term receivables		-	160,650
Hedging gain		-	(630)
ZCI convertible loan share premium		502	-
Cash used in operating activities		(2,840)	(3,711)
Interest received		2	733
Net cash outflow from operating activities		(2,838)	(2,978)
<b>Cash flows from investing activities</b>			
Increase in loans to subsidiaries		(8,408)	(44,266)
Payments to acquire property, plant and equipment		-	(76)
Payments of deferred exploration expenditures		(1)	(229)
Sale of derivative financial instruments		-	5,453
Net cash outflow from investing activities		(8,409)	(39,118)
<b>Cash flows from financing activities</b>			
Issue of equity share capital, net of issue costs		10,558	9,267
Net cash inflow from financing activities		10,558	9,267
<b>Net decrease in cash and cash equivalents</b>		(689)	(32,829)
Cash and cash equivalents at beginning of the period		1,116	32,833
Exchange loss		(277)	1,112
<b>Cash and cash equivalents at end of the period</b>	16	150	1,116

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

## Notes to 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 and the Botswana Stock Exchange. African Copper is a holding company of a copper producing and mineral exploration and development group of companies (the "**Group**"). The Group's main project is the copper producing open pit Mowana mine. The Group also owns the rights to the adjacent Thakadu-Makala deposits 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 operating segment, namely copper exploration, development and mining in Botswana.

#### 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 19 - amounts payable 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 (subsequently increased to US\$24,032,900) with a coupon of 14 per cent. per annum.

On 31 March 2010, ZCI extended to the Company an additional \$10 million loan (the "March Facility"), The March Facility has an interest rate of 6% per annum payable quarterly, to be repaid on or before 31 March 2011 but renewable subject to ZCI giving its written consent to the renewal prior to the repayment date. This amount is secured in the same way as borrowings under the Convertible Loan Facility, as described above.

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 fifteen months ended 31 March 2010 which has delayed the ramping up of production to full plant capacity.

As a result of the bottlenecks at Mowana and the additional plans described above, the Company utilized more working capital than it previously expected and identified additional working capital and capital equipment financing requirements.

After reviewing the detailed financial mine plan including the impact of the completed March Facility, the nearness of anticipated commercial production rates at Mowana and the current market price of copper, the Board has concluded that the Company will likely have a requirement for additional working capital in the next 12 months. It currently expects this requirement to be at a level that can be financed within current markets. In anticipation of these working capital needs, the Company's subsidiary Messina intends to restart discussions with finance providers regarding a working capital credit facility. Given the completion of the March Facility, Messina had suspended negotiations with a number of providers until the Mowana mine reached more steady production levels. However, in the event that ZCI demands payments of the ZCI Trade Debts within this 12 month period, or that the Company experiences further delays in reaching commercial production rates or any material reductions in tonnages grades and/or recovery rates and overruns or lower copper prices, this requirement would be accelerated and the Company would be required to seek greater additional working capital financing than it currently anticipates.

Management also intends to further evaluate the possibility of constructing a processing plant at the Thakadu deposit and 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 will be required to develop the Thakadu processing plant and underground portion of the mine and 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 working capital and/ or project 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 29 June 2010.

## **2. Summary of significant accounting policies**

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

### **a) Accounting reference date and comparatives**

The Company extended its reporting period from 31 December 2009 to 31 March 2010 in order to align its year end with that of its parent company ZCI. Accordingly the results for the period are for the fifteen months ended 31 March 2010. Comparative information is for the twelve month period and may therefore not be entirely comparable.

### **b) 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 issued by the International Accounting Standards Board (IASB), as adopted by the European Union and with IFRSs and their interpretations issued by the International Accounting Standards Board (IASB). They have also been prepared in accordance with those parts of the Companies Act 2006 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 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Company has not been presented in these financial statements.

### **c) Adoption of standards effective in 2009**

The following standards have been applied by the Group from 1 January 2009:

- IFRS 8 Operating Segments – despite these changes application of the new standard has not impacted the way management reports segmented information.
- IAS 1 (Revised) Presentation of financial statements – the revised standard has changed the way the Group's primary financial statements have been presented. The revision required information to be aggregated on the basis of shared characteristics and introduce a "statement of comprehensive income" to enable readers to analyse changes in an entity's equity resulting from transactions with owners separately from "non-owner" changes. Comparative information has been re-presented so that it also is in conformity with the revised standard.
- IAS 23 (Amendment) Borrowing Costs – the amendment has not impacted the Group's results.
- IFRS 2 (Amendment) Share based payments – the adoption of this amendment has not had any material impact on the Group financial statements as the Group already applied these principles when accounting for share-based payments in the past.
- IAS 27 (Amendment) Consolidated and separate financial statements – there has been no impact on the Group financial statements.
- IFRS 7 (Amendment) Financial instruments: Disclosures – the amendment introduced a three-level hierarchy for fair value measurement disclosures and required entities to provide additional disclosures about the reliability of those fair value measurements. The Group has provided these additional disclosures in the notes to the financial statements.

#### **d) IFRS effective in 2009 not relevant**

The following standards and interpretations were mandatory for the current accounting period, but are not relevant to the operations of the Group

- IFRS 1 (Amendment) First time adoption of IFRS
- IAS 1 and IAS 32 (Amendment) Presentation of financial statements and Financial instruments: Presentation
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments
- IAS 30 and IFRIC 9 (Amendment) Financial instruments: Recognition and measurement, and Reassessment of embedded derivatives
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation

#### **e) Standards and interpretations issued but not yet applied**

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the Group in these financial statements. Application of these Standards and Interpretations are not expected to have a material effect on the financial statements in the future except in the event of future business combinations. These changes would be treated only prospectively and only affect acquisitions made in the future financial years.

#### **f) Basis of preparation**

The consolidated financial statements of African Copper are presented in US Dollars and have been prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied. In preparing these financial statements, the directors have decided to adopt US dollars as the Group's presentation currency, being the currency which the directors believe investors prefer to review the results of the Group, and accordingly have retranslated the financial results for prior years into that currency. The following table sets forth (i) the rates of exchange for one British Pound Sterling, expressed in US Dollars in effect at the end of each of the periods noted and (ii) the average rates of exchange for one British Pound Sterling expressed in US Dollars for such periods, based on the Federal Reserve Bank of New York noon buying rates of exchange at the end of each of the periods, and the average of the noon buying rates posted by the Federal Reserve Bank of New York for such periods.

	<b>British Pound Sterling</b>	
	<b>End of Period (US Dollar)</b>	<b>Average (US Dollar)</b>
15 months ended 31 March 2010	1.5167	1.5604
Year ended 31 December 2008	1.4376	1.8175

#### **g) 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 March 2010. 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 profit and loss.

## **h) Revenue recognition & measurement**

(i) Revenue from sales of copper concentrate is recorded net of smelter treatment charges and deductions. Copper concentrate is sold under pricing arrangements whereby revenue is recognized at the time of shipment (delivery of the products at the mine gate), at which time legal title and risk pass to the customer and provisional revenue is recorded at current month average price. The quoted period established for each sale contract to finalize the sales price is the month subsequent to the month of delivery, within which the contract is required to be settled. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in copper market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue and receivables. Changes in the estimate of concentrate copper content resulting from the final independent analysis of the concentrate are recognised at the point at which such analysis is agreed.

### **ii) Interest income**

Interest income is recognised as it accrues to the Company.

## **i) Foreign currency translation**

### **(i) Functional and presentation currency**

The consolidated financial statements are presented in US dollars following a management decision to change the presentation currency from Pounds Sterling during the period. The change has been made to reflect the profile of the Group's revenue which as a result of commencing commercial production at the Mowana mine in Botswana has now started to be generated in US dollars. All comparative information has been restated into US dollars.

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 Functional Currency of the Company remains Pounds Sterling since this is a non-trading holding Company located in the United Kingdom that has Pounds Sterling denominated share capital.

### **(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 profit and loss as part of the gain or loss on sale.

### **(iii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

## **j) Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation 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 profit and loss 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 profit and loss.

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 ten years 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

## **k) 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.

## **l) Other receivables and prepayments**

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

## **m) 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 dependent 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 and are released to profit and loss when the hedge matures. Changes in the fair value of derivatives that are designated as fair value hedges are recognised in profit and loss. 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 profit and loss.

## **n) 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.

## **o) 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.

## **p) 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.

If any such indication exists, the recoverable amount of that asset is recalculated and its carrying amount is increased to the revised recoverable amount, if required. The increase is recognized in the Statement of Comprehensive Income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

## **q) 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 profit and loss 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.

#### **r) 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.

#### **s) Trade and other payables**

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

#### **t) Guarantees to support group indebtedness (Company only)**

Guarantees made to third parties to support interest-bearing liabilities of subsidiary companies are accounted for as financial guarantee contracts. Such contracts are included within the financial statements of the Company at the estimated fair-value of the commitment at the date the commitment is made. The fair-value of the commitment is determined by reference to the interest rate differential between the guaranteed interest-bearing liability and that estimated to be applicable to a similar unguaranteed liability.

The fair-value of these guarantee contracts is considered to be part of the Company's investment in the relevant subsidiary receiving the benefit of the guarantee contract.

These are intra-group transactions and are eliminated for the purposes of the consolidated financial statements in accordance with accounting policy 2 (h) above.

#### **u) 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.

#### **v) 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 Statement of Comprehensive Income to unwind the discount due to the passage of time.

#### **w) Investment in subsidiaries**

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

#### **x) 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 management's 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(p) and Note 9
- Capitalisation and impairment of Property Plant and Equipment – Note 2(p) and Note 8
- Estimation of share based compensation amounts – Note 2(q) and Note 18
- Valuation of financial guarantee contracts – Note 2 (t) and Note 20.

#### y) Borrowing costs

Borrowing costs are expensed as incurred, unless they are directly attributable to construction of assets and therefore form part of the cost of that asset.

### 3. Group Segment reporting

An operating segment is a component of the Group distinguishable by economic activity or by its geographical location, which is subject to risks and returns that are different from those of other operating segments. The Group's only operating segment is the exploration for, and the development of copper and other base metal deposits. 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.

<b>Geographic Analysis</b>	<b>United Kingdom (\$US'000)</b>	<b>Botswana (\$US'000)</b>	<b>Total (US\$'000)</b>
Revenue	-	7,392	7,392
Non-current assets	8,409	57,180	65,589

All mining revenue derives from a single customer

### 4. Profit/(Loss) on operations before tax

	<b>15 Months period ended 31 March 2010 US\$'000</b>	<b>Year ended 31 December 2008 US\$'000</b>
<b>Profit/(Loss) on ordinary activities is stated after charging:</b>		
Depreciation	1,889	578
Amortisation	-	-
Auditors remuneration:		
- Audit fee	70	75
Fees payable to the auditor for other services:		
- Other services relating to tax	22	23
- All other services	44	50

## 5. Staff numbers and costs

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

Group	Number of Employees Period ended 31 March 2010	Number of Employees Year ended 31 December 2008
Finance and administration	18	22
Technical and operations	167	134
	185	156

The aggregate payroll costs of these persons were as follows:

	Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
Wages and salaries	5,677	4,080
Benefits	107	884
Share based payments	-	111
	5,784	5,075

### Remuneration of directors and other key management personnel

Period ended 31 March 2010	Directors Fees US\$'000	Basic annual remuneration US\$'000	Other benefits US\$'000	Compensation for loss of office US\$'000	Total remuneration US\$'000
<b>Directors:</b>					
R D Corrans	42	-	-	-	42
D Jones	16	19	-	-	35
B R Kipp	-	193	-	164 <sup>1</sup>	357
C Fredericks	-	120	-	188 <sup>1</sup>	308
J Soko	25	-	-	-	25
D Rodier	34	-	-	-	34
Prof S Simukanga	17	-	-	-	17
A J Williams	10	-	-	-	10
M J Evans	8	-	-	-	8
Total directors' remuneration	152	332	-	352	836
<b>Non-directors</b>	-	1,648	78	-	1,726
<b>Total</b>	152	1,980	78	352	2,562

1. Payments required under the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") employment contracts in respect of "change of control" payments as part of the ZCI share subscription (see note 19). The CEO resigned in December 2009 and the CFO signed a one year contract with the Company to remain as CFO until at least December 2010

Year ended 31 December 2008	Directors Fees US\$'000	Basic annual remuneration US\$'000	Other benefits US\$'000	Compensation for loss of office US\$'000	Total remuneration US\$'000
<b>Directors:</b>					
R D Corrans	29	-	-	-	29
D Jones	14	91	-	-	105
J A Hamilton	-	104	-	249	353
B R Kipp	-	151	-	-	151
C Fredericks	-	234	-	-	234
A J Williams	20	-	-	-	20
M J Evans	19	-	-	-	19
Total directors' remuneration	82	580	-	249	911
<b>Non-directors</b>	-	631	30	-	661
Share based payments	-	-	111	-	111
<b>Total</b>	<b>82</b>	<b>1,211</b>	<b>141</b>	<b>249</b>	<b>1,683</b>

## 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% (2008:28.5%)

	Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
Tax reconciliation		
Profit/(Loss) on ordinary activities before tax	30,714	(147,654)
Tax at 28% (2008: 28.5%)	8,600	(42,081)
Effects (at 30%) of:		
Expenses not deductible for tax purposes	300	56
Deferred tax asset not recognised	-	-
Expenses previously not deductible now allowed	(429)	-
Tax losses carried forward	13,781	21,460
Impairment of Property Plant and Equipment	(12,884)	37,874
Impairment of Deferred Exploration	-	2,800
Capital allowances in excess of depreciation	(9,368)	(20,080)
Loss brought forward and utilised	-	-
Tax charge	-	-

### Unrecognised deferred tax assets and liabilities

	Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
<b>Temporary differences</b>		
Losses	228,468	139,457
Arising on share options	-	-
Accelerated capital allowances	(177,088)	(132,325)
Temporary differences not recognised	51,380	7,132

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 31 March, 2010, the Group did not recognize deferred tax assets of US\$14,387,000(2008: US\$1,997,000) 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 earnings per ordinary share on the net basis is based on the loss on ordinary activities after taxation of US\$30,714,258 and on 613,758,960 ordinary shares being the weighted average number of ordinary shares in issue and ranking for dividend during the period. During 2008 the calculation of diluted gain per ordinary share on the net basis is based on the gain of ordinary activities after taxation of US\$186,668,766 on 145,744,465 ordinary shares. During period ended 31 March 2010 the calculation of diluted gain per ordinary share on the net basis is based on the gain of ordinary activities after taxation of US\$30,714,258 and on 613,758,960 ordinary shares.

## 8. Property, Plant and Equipment

Group	Mine Development and Infrastructure US\$'000	Mine Plant and Equipment US\$'000	Other Assets US\$'000	Total US\$'000
<b>Cost</b>				
Balance at 1 January 2008	90,557	760	5,305	96,622
Additions	93,817	-	3,069	96,886
Exchange adjustments	(39,403)	(162)	(1,881)	(41,446)
<b>Balance at 31 December 2008</b>	<b>144,971</b>	<b>598</b>	<b>6,493</b>	<b>152,062</b>
Balance at 1 January 2009	144,971	598	6,493	152,062
Additions	449	3,150	70	3,669
Reclassifications	(57,756)	47,540	10,216	-
Exchange adjustments	9,167	(1,407)	(84)	7,676
<b>Balance at 31 March 2010</b>	<b>96,831</b>	<b>49,881</b>	<b>16,695</b>	<b>163,407</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2008	-	-	(565)	(565)
Depreciation charge for the year	(101)	-	(629)	(730)
Impairment of property, plant and equipment	(161,132)	(664)	(6,206)	(168,002)
Exchange adjustments	33,698	137	1,554	35,389
<b>Balance at 31 December 2008</b>	<b>(127,535)</b>	<b>(527)</b>	<b>(5,846)</b>	<b>(133,908)</b>
Balance at 1 January 2009	(127,535)	(527)	(5,846)	(133,908)
Depreciation charge for the year	-	(1,032)	(911)	(1,943)
Reversal of Impairment of property, plant and equipment	46,249	-	-	46,249
Exchange adjustments	(8,314)	3	(270)	(8,581)
<b>Balance at 31 March 2010</b>	<b>(89,600)</b>	<b>(1,556)</b>	<b>(7,027)</b>	<b>(98,183)</b>
<b>Carry amounts</b>				
Balance at 1 January 2009	17,436	71	647	18,154
<b>Balance at 31 March 2010</b>	<b>7,231</b>	<b>48,325</b>	<b>9,668</b>	<b>65,224</b>

Property, plant and equipment was pledged as security for amounts borrowed from ZCI Limited during the period (see note 19).

<b>Company</b>	<b>Mine Development and Infrastructure US\$'000</b>	<b>Computer and Office Equipment US\$'000</b>	<b>Total  US\$'000</b>
<b><u>Cost</u></b>			
Balance at 1 January 2008	1,150	21	1,171
Additions	46	2	48
<b>Balance 31 December 2008</b>	<b>1,196</b>	<b>23</b>	<b>1,219</b>
<hr/>			
Balance at 1 January 2009	1,196	23	1,219
Additions	-	-	-
<b>Balance 31 March 2010</b>	<b>1,196</b>	<b>23</b>	<b>1,219</b>
<hr/>			
<b><u>Depreciation and Impairment losses:</u></b>			
Balance at 1 January 2008	-	-	-
Impairment of property, plant and equipment	(1,196)	(23)	(1,219)
<b>Balance 31 December 2008</b>	<b>(1,196)</b>	<b>(23)</b>	<b>(1,219)</b>
<hr/>			
Balance at 1 January 2009	(1,196)	(23)	(1,219)
Depreciation charge for the period	-	-	-
<b>Balance 31 March 2010</b>	<b>(1,196)</b>	<b>(23)</b>	<b>(1,219)</b>
<hr/>			
<b><u>Carry amounts</u></b>			
Balance at 1 January 2009	Nil	Nil	Nil
<b>Balance at 31 March 2010</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

### **Impairment Review**

As detailed in the accounting policies in the financial statements 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 \$US 75.6 million was recorded and a further \$US 92.4 million write down was recorded during the three months ended 31 December 2008 for a total of \$US 168.0 million.

At 30 June 2009 and 31 March 2010 the Directors undertook further reviews 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.

At 30 June 2009, 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 \$USD 46.01 million of the recognized impairment loss recognized in 2008 on the Mowana mine unit no longer existed and that a partial impairment reversal was appropriate at 30 June 2009.

At 31 March 2010, following this review and making estimates of the value in use of the Mowana mine the Directors concluded that no further impairment reversal was required in respect of the Mowana mine or any of the other cash generating units.

In deriving the estimate for the value in use in respect for the Mowana mine at 31 March 2010 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 (\$US per lb):	
Year 1	\$3.05
Year 2	\$2.90
Year 3	\$2.50
Year 4	\$2.25
Year 5	\$2.00
Exchange rate: Pula to \$US	6.58
Discount factor	14%
Production period:	
Combined production from Mowana and Thakadu deposits	
5 year ore mined	9.2 million tonnes at 1.04%
5 year ore milled	4.9 million tonnes at 2.0%*

\*Milled tonnage reflects the impact of the proportion of Mowana fee which will be treated via 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 10.0%	\$US 36 million
Increase in OPEX estimates by 10.0%	\$US 19 million
Increase in CAPEX estimates by 10.0%	\$US 4 million
Increase in discount rate by 2%	\$US 3 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.

## 9. Deferred exploration costs

### Group

<b>Cost</b>	<b>US\$'000</b>
Balance at 1 January 2008	6,213
Additions	3,073
Exchange adjustments	539
<b>Balance 31 December 2008</b>	<b>9,825</b>
Balance 1 January 2009	9,825
Additions	38
<b>Balance 31 March 2010</b>	<b>9,863</b>
<b>Impairment losses</b>	
Balance 1 January 2008	-
Impairment of deferred exploration	(9,825)
<b>Balance 31 December 2008</b>	<b>(9,825)</b>
Balance at 1 January 2009	(9,825)
Impairment of deferred exploration	-
<b>Balance at 31 March 2010</b>	<b>(9,825)</b>
<b>Carry amounts</b>	
Balance at 1 January 2009	Nil
<b>Balance 31 March 2010</b>	<b>38</b>

### Company

<b>Cost</b>	<b>US\$'000</b>
Balance at 1 January 2008	166
Additions	229
Exchange adjustment	(95)
<b>Balance 31 December 2008</b>	<b>300</b>
Balance 1 January 2009	300
Additions	1
<b>Balance 31 March 2010</b>	<b>301</b>
<b>Impairment losses:</b>	
Balance 1 January 2008	Nil
Impairment of deferred exploration	(381)
Exchange adjustment	81
<b>Balance 31 December 2008</b>	<b>(300)</b>
Balance 1 January 2009	(300)
Impairment of deferred exploration	-
<b>Balance 31 March 2010</b>	<b>(300)</b>
<b>Carry amounts</b>	
Balance 1 January 2009	Nil
<b>Balance 31 March 2010</b>	<b>1</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

	Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
<b>Group</b>		
Bank guarantee	327	283

As part of providing electricity for the Mowana Mine, a payment guarantee is maintained by the Botswana Power Corporation.

## 11. Company - Long term receivables

	US\$'000
<b>Loans to Subsidiary undertakings</b>	
Balance at 1 January 2008	9,831
Additions	35,014
Conversion of intercompany debt to equity	(35,014)
Impairment of long term receivables	(9,831)
<b>Balance 31 December 2008</b>	<b>Nil</b>
Additions	7,920
Conversion of intercompany debt to equity	(7,420)
Conversion of ZCI convertible loan from debt to equity	(488)
Impairment of long term receivables	-
<b>Balance 31 March 2010</b>	<b>12</b>

## 12. Company - Investments in subsidiaries

	US\$'000
Balance 1 January 2008	82,244
Conversion of Intercompany Debt to Equity*	35,014
Impairment of Investments in subsidiaries	(117,258)
<b>Balance 31 December 2008</b>	<b>Nil</b>
Conversion of Intercompany Debt to Equity*	7,908
Conversion of ZCI convertible loan from debt to equity	488
Impairment of Investments in subsidiaries	-
<b>Balance 31 March 2010</b>	<b>8,396</b>

\*During period ended 31 March 2010 and year ended 31 December 2008 the Company converted intercompany loans payable from its wholly-owned subsidiary Messina Copper (Botswana) (Pty) Ltd ("Messina") to equity.

### 13. 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 Copper (Botswana) (Pty) Ltd*	Botswana	Mining	100%	100%
Matsitama Minerals (Pty) Limited*	Botswana	Exploration	100%	100%

\* indirectly held

### 14. Other receivables and prepayments

	Group		Company	
	31 March 2010 US\$'000	31 December 2008 US\$'000	31 March 2010 US\$'000	31 December 2008 US\$'000
VAT receivable	445	1,193	17	25
Interest receivable	-	7	-	-
Prepayments and other receivables	336	505	81	60
Trade debtors	155	-	-	-
	936	1,705	98	85

### 15. Inventories

	Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
Stockpile inventories	233	86
Consumables	1,547	1,058
Total Inventories	1,780	1,144

### 16. Cash and cash equivalents

Group	Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
Cash at bank	-	-
Short-term bank deposits	10,047	2,534
Cash and cash equivalents in the statement of cashflows	10,047	2,534

Company	Period ended 31 March 2010 US\$'000	Year ended 31 December 2008 US\$'000
Cash at bank	-	-
Short-term bank deposits	150	1,116
Cash and cash equivalents in the statement of cashflows	150	1,116

## 17. Share Capital

	No. of shares	US\$'000
Authorised		
At 31 December 2008 and 31 March 2010		
Ordinary shares of 1p each	495,000,000	7,116
Redeemable preference shares of £1 each	50,000	72
Issued:		
Balance at 31 December 2007	139,574,957	2,779
Ordinary shares issued on private placement	7,284,000	132
Balance at 31 December 2008	146,858,957	2,911
Ordinary shares issued on 28 April 2009	43	-
Ordinary shares issued on 22 May 2009	676,570,500	10,558
<b>Balance at 31 March 2010</b>	<b>823,429,500</b>	<b>13,469</b>

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 (US\$ 10.6m).

### Share options and warrants

Share Options Held at 31 March 2010	Share Options Held at 31 December 2008	Date of Grant	Option Price per Share	Exercise Period
-	500,000	23 September 2004	£0.35	up to 23 September 2014
375,000	675,000	12 November 2004	£0.76	up to 12 November 2014
-	1,500,000	5 January 2005	£0.76	up to 5 January 2015
-	90,000	1 September 2005	£0.76	up to 14 March 2015
60,000	240,000	12 November 2005	£0.76	up to 12 November 2015
1,750,000	6,860,000	1 August 2006	£0.775	up to 1 August 2016
-	400,000	11 September 2006	£0.775	up to 11 September 2016
-	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
-	-	29 March 2007	£0.775	Up to 29 March 2017
<b>2,935,000</b>	<b>11,215,000</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 profit and loss in the period in which the operation is disposed of.

### Merger reserve

As permitted by the Companies Act 2006, 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. During 2009 in response to the Company's serious financial requirements it entered into agreements with ZCI Ltd to provide the Company and its stakeholders a comprehensive financing package which included both debt and equity.

	<b>At 31 March 2010 US\$'000</b>	<b>At 31 December 2008 US\$'000</b>
Total interest bearing debt	51,368	19,383
Total equity	16,997	(18,532)
Debt-to-equity ratio	3.02:1	-

### 18. Share based payments

African Copper has established a share option scheme with the purpose of motivating and retaining qualified management and to ensure common goals for management and the shareholders. Under the African Copper share plan each option gives the right to purchase one African Copper ordinary share. For options granted the vesting period is generally up to three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Company. In 2005 all options were granted at 76p and in 2006 and 2007 all options were granted at 77.5p. No options were granted during the period ended 31 March 2010.

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

	<b>31 March 2010 Weighted average exercise price in £ per share</b>	<b>Options</b>	<b>31 December 2008 Weighted average exercise price in £ per share</b>	<b>Options</b>
At 1 January	76p	11,215,000	73p	11,415,000
Granted		-		-
Forfeited	74.6p	(8,280,000)	77.5p	(200,000)
Exercised		-		-
At 31 December	77.3p	2,935,000	76p	11,215,000
Exercisable at the end of the year	77.3p	2,935,000	75p	10,598,331

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 US\$40,689(2008: US\$179,677), of which US\$33,101(2008: US\$109,605) was recorded as an expense in profit and loss and US\$7,588(2008: US\$70,072) 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:

<b>Expiry date</b>	<b>Exercise price in £ per share</b>	<b>Shares</b>	
		<b>31 March 2010</b>	<b>31 Dec 2008</b>
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

The weighted average remaining contractual life of the outstanding options at 31 March 2010 was 4.5 years (2008:7.2 years).

#### **19. Amounts payable to ZCI Ltd**

	<b>At 31 March 2010 US\$'000</b>	<b>At 31 December 2008 US\$'000</b>
Due to ZCI- Convertible loan (non-current liability)	7,891	-
Due to ZCI- Non-convertible loan (non-current liability)	24,033	-
	31,924	
Due to ZCI- March 2010 Facility (current liability)	10,000	-
Due to ZCI- Debt acquisitions(current liability)	9,445	-
	19,445	
<b>Balance 31 March 2010</b>	<b>51,369</b>	<b>-</b>

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 B was subsequently increased from US\$22,750,000 to \$24,032,900. 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 were 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.

On 26 March 2010 the board of directors of ZCI resolved that the interest payment on the Tranche B Convertible Loan due by the Company on 31 March 2010 be postponed for a period of one year until 31 March 2011.

### **ZCI Debt Acquisitions**

In May 2009 ZCI acquired certain debts due to suppliers of the Group representing US\$9.44 million. This balance is due in the short term when the Group has sufficient working capital.

### **March 2010 Facility**

On 31 March 2010 the Company announced it had arranged agreement with ZCI pursuant to which ZCI would fund immediately a \$US 10 million term loan facility at an interest rate of 6% per annum, payable quarterly, to be repaid on or before 31<sup>st</sup> March 2011 and may be renewed, subject to ZCI giving its written consent to such renewal, prior to the repayment date (the “**March Facility**”). The March Facility is secured under the existing Convertible Loan Facility.

As a consequence of the Convertible Loan Facility, ZCI Debt Acquisitions and the March Facility the Group is indebted to ZCI at 31 March 2010 in an aggregate amount of approximately US\$51.37 million.

## 20. Financial Guarantee contract liability

The Company has entered into a guarantee contract with ZCI as a condition of ZCI providing the Convertible Loan Facility. The Company has guaranteed the obligations of Messina, its wholly owned subsidiary.

The Companies accounting policy in respect Guarantee Contracts is set out in Note 2(t).

At 31 December the Company concluded that the value of the interest rate differential was negligible. This reflects the position that the ZCI interest-bearing obligations are directly secured on the assets of Messina. Messina is also the Company's principal asset.

The interest rate differential calculation was based upon a normalised margin of 7.98% and a specific project risk rate of 6%. Set out below is the effect of the specific mining risk rate being recognised at a higher level:

7.50% US\$1,717,577

## 21. Interest bearing borrowings

	Group		Company	
	31 March 2010 US\$'000	31 Dec 2008 US\$'000	31 March 2010 US\$'000	31 Dec 2008 US\$'000
Unsecured 14% fixed rate Pula bond	-	19,383	-	-

On 4 April 2008 Messina, the Company's wholly-owned subsidiary, completed the private placement of US\$19.4 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 19 – Amounts payable to ZCI Ltd) 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.

## 22. Asset retirement obligations

The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 March 2010 is US\$4,051,477 (2008 – US\$3,488,191). 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.

<b>Asset retirement obligations</b>	<b>US\$'000</b>
Balance, 1 January 2009	3,488
Provision	371
Foreign exchange on translation	192
<b>Balance, 31 March 2010</b>	<b>4,051</b>

### 23. Trade and other payables

	Group		Company	
	31 March 2010 US\$'000	31 Dec. 2008 US\$'000	31 March 2010 US\$'000	31 Dec. 2008 US\$'000
Trade payables	4,827	11,234	26	232
Amounts due to related parties (Note 25)	19	7	19	7
Withholding taxes	21	138	-	-
Accrued expenses and other payables	1,068	8,102	54	270
	5,935	19,481	99	509

### 24. Commitments

Contractual Obligations	Total	2010	2011	2012	2013 and thereafter
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Goods, services and equipment <sup>(a)</sup>	3,436	3,330	106	-	-
Exploration licences <sup>(b)</sup>	1,014	-	1	1,014	-
Mining licence	6	1	1	4	-
Lease agreements <sup>(c)</sup>	277	143	124	9	-
	4,733	3,474	232	1,027	-

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 to lease premises for various periods.

### 25. 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;

	31	31	Balance Outstanding as at	
	March 2010 US\$'000	Dec. 2008 US\$'000	31 March 2010 US\$'000	31 Dec 2008 US\$'000
Due to ZCI (see Note 19)	51,369	-	51,369	-
Amount paid to ZCI being interest on loan for the period May to March 2010	2,790	-	1,035	-
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	418	-	17	-
Amount paid to Aegis Instruments, Micro mine, MGE and Quantec, companies controlled by a director of a subsidiary, in respect of provision of geophysical and geological consulting, administration services and reimbursed expenses	8	119	-	117

<b>Loans to Subsidiaries</b>	<b>US\$'000</b>
Balance 1 January 2008	<b>9,813</b>
Amounts advanced to subsidiaries	35,014
Conversion of amounts advanced to equity	(35,014)
Impairment of loans to Subsidiaries	(9,813)
<b>Balance 31 December 2008</b>	<b>Nil</b>
Amounts advanced to subsidiaries	24,356
Conversion of amounts advanced to equity	(24,356)
<b>Balance 31 March 2010</b>	<b>Nil</b>

The amounts due from subsidiaries at 31 March 2010 have been subordinated in favour of other creditors of those companies.

## **26. Ultimate Controlling Party**

The directors regard ZCI, a company registered in Bermuda, as the Company's immediate parent undertaking. Copies of the accounts of ZCI Limited, the smallest and largest group for which accounts are prepared, may be obtained from the ZCI Limited registered office.

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

## **27. Financial instruments**

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

The Group sells its copper concentrate under pricing arrangements whereby the quoted period established for each sale contract to finalize the sales price is the month subsequent to the month of delivery, within which the contract is required to be settled. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in copper market prices result in the existence of an embedded derivative in the accounts receivable.

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 Group has guaranteed the borrowings of Messina. The primary indebtedness is to ZCI which is also the immediate controlling entity of the Company.

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.

	31 March 2010		31 December 2008	
	US\$000's		US\$000's	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	10,047	10,047	2,534	2,534
Other current assets	936	936	1,705	1,705
<b>Financial liabilities</b>				
Non-current borrowings	31,924	31,924	-	-
Current borrowings	25,380	25,380	38,864	38,864

#### (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 loans and variable rate vehicle lease obligations. Variable lease obligations are not considered material.

As at 31 March 2010, 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 US\$25,118 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 2008 and 2009/2010 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	
	31 March 2010	31 Dec. 2008	31 March 2010	31 Dec. 2008
	US\$'000	US\$'000	US\$'000	US\$'000
Sterling	127	732	117	666
Canadian Dollars	25	20	25	20
South African Rand	11	14	-	3
US Dollars	9,801	1,775	3	421
Botswana Pula	78	(13)	-	-
Euros	5	6	5	6
	10,047	2,534	150	1,116

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(i)), the Group's balance sheet can be affected significantly by movements in the US Dollar to the Botswana Pula. During 2008 and 2009/2010 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:

	31 March 2010			31 December 2008		
	Sterling US\$'000	Pula US\$'000	Total US\$'000	Sterling US\$'000	Pula US\$'000	Total US\$'000
Sterling	106	10	116	323	63	386
Pula	-	(2,120)	(2,120)	(3)	(30,445)	(30,448)
Canadian Dollars	61	-	61	(24)	-	(24)
South African Rand	(2)	(431)	(433)	-	(2,828)	(2,828)
Australian Dollars	-	-	-	-	(1)	(1)
US Dollars	(21)	9,220	9,199	388	(676)	(288)
Euros	5	-	5	6	-	6
<b>Total</b>	<b>149</b>	<b>6,679</b>	<b>6,828</b>	<b>690</b>	<b>(33,887)</b>	<b>(33,197)</b>

The table above relates to Group and Company.

Foreign currency risk sensitivity analysis:

	Profit/Loss		Equity	
	31 March	31 Dec.	31 March	31 Dec.
	2010	2008	2010	2008
	US\$'000	US\$'000	US\$'000	US\$'000
If there was a 10% weakening of Pula against US Dollars with all other variables held constant – increase/(decrease)	-	-	(8,650)	(10,745)
If there was a 10% strengthening of Pula against US Dollars with all other variables held constant – increase/(decrease)	-	-	7,077	13,131

### 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. As at 31 March 2010, with other variables unchanged, a plus or minus 1% change in commodity prices, on sales revenue, would affect the loss for the year by plus or minus US\$740,000 for the year.

### (b) Credit risk

The Group is exposed to credit risk on its cash and cash equivalents and other receivables as set out in Notes 14 and 16, which represents a maximum exposure to credit risk of US\$11.08 million. The Group only deposits surplus cash with well-established financial institutions of high quality credit standing.

### (c) Liquidity Risk

As at 31 March 2010 the Group had US\$10.05 million in cash and cash equivalents, US\$0.94 million in other receivables and prepayments and US\$51.37 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.

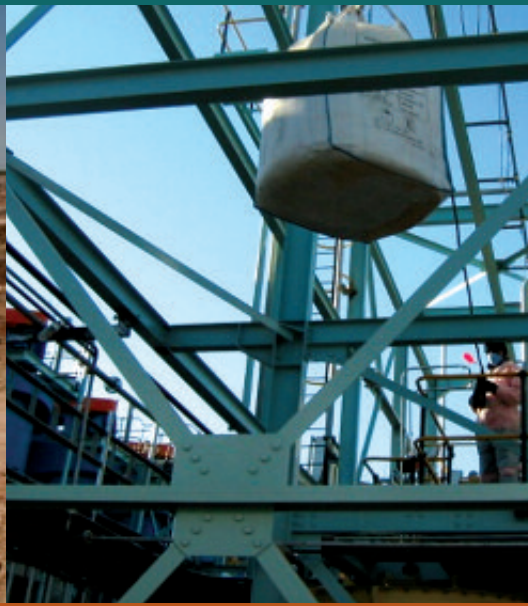
<b>Financial liabilities</b>	<b>Due or due in less than 1 month US\$000's</b>	<b>Due between 1 to 3 Months US\$000's</b>	<b>Due between 3 months and 1 year US\$000's</b>	<b>Due between 1 to 5 Years US\$000's</b>
Trade and other payables	2,824	1,159	1,714	238
Due to ZCI Ltd	9,444	-	-	41,923

#### **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.







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