

UNAUDITED INTERIM REPORT  
**ZAMBIA COPPER INVESTMENTS LIMITED**

(Registered in Bermuda)  
("ZCI" or "the Company")

**Consolidated statement of earnings**  
**for the six months ended June 30, 2005**  
*expressed in thousands of US Dollars*

	Unaudited Six months ended June 30, 2005	Unaudited Six months ended June 30, 2004 (As restated)	Audited Year ended December 31, 2004
Turnover	-	237,500	440,649
Cost of sales	-	(147,239)	(300,638)
Gross Profit	-	90,261	140,011
Other operating expenses	-	(36,017)	(62,020)
Depreciation	-	(5,761)	(12,412)
Profit from operations	-	48,483	65,579
Other income / (loss)	-	(866)	2,485
Interest income	33	5	30
Interest expense	(2)	(832)	(1,331)
General and administration expenses	(401)	(353)	(1,090)
(Loss) on sale of investment in subsidiary	-	-	(19)
Income from associated companies	13,138	-	25,093
Exceptional item	-	-	(9,763)
Profit before taxation	12,768	46,437	80,984
Taxation	(32)	(37)	(85)
Profit after taxation	12,736	46,400	80,899
(Profit) attributable to minority interest	-	(19,242)	(23,510)
Net Profit	12,736	27,158	57,389

per ordinary share in US cents

<b>Headline earnings before exceptional item and amortisation of goodwill</b>	10.09	21.52	53.21
<b>Exceptional expenses</b>	-	-	(7.73)
<b>Earnings per share (EPS)</b>	10.09	21.52	45.48
Number of ordinary shares in issue	126,197,362	126,197,362	126,197,362

**Consolidated statement of financial position  
as at June 30, 2005**

*expressed in thousands of US Dollars*

	Unaudited Six months ended June 30, 2005	Unaudited Six months ended June 30, 2004 (As restated)	Audited Year ended December 31, 2004
<b>Fixed assets</b>			
Tangible fixed assets	-	142,894	-
<b>Long term accounts receivable</b>	15,660	-	15,660
<b>Investment in associated companies</b>	74,421	-	61,282
<b>Current assets</b>			
Stocks	-	85,965	-
Accounts receivable	5,226	51,424	5,220
Cash and short-term investments	2,570	15,083	3,120
	<u>7,796</u>	<u>152,472</u>	<u>8,340</u>
<b>Current liabilities</b>			
Short term loans and bank overdrafts	-	(9,158)	-
Accounts payable and accrued liabilities	(215)	(70,613)	(356)
	<u>(215)</u>	<u>(79,771)</u>	<u>(356)</u>
<b>Net current assets</b>	<u>7,581</u>	<u>72,701</u>	<u>7,984</u>
<b>Total assets less current liabilities</b>	97,662	215,595	84,926
<b>Long term liabilities</b>			
Long term loans	-	(35,195)	-
Provisions	-	(86,953)	-
Minority interest	-	(38,752)	-
<b>Net assets</b>	<u>97,662</u>	<u>54,695</u>	<u>84,926</u>
<b>Capital and reserves</b>			
Capital	334,547	508,807	334,547
Accumulated deficit	(236,885)	(454,112)	(249,621)
	<u>97,662</u>	<u>54,695</u>	<u>84,926</u>
Number of ordinary shares in issue	126,197,362	126,197,362	126,197,362
Net asset value (per ordinary share) in USD cents	77.39	43.34	67.30



**Consolidated statement of cash flow**  
**for the six months ended June 30, 2005**  
*expressed in thousands of US Dollars*

	Unaudited Six months ended June 30, 2005	Unaudited Six months ended June 30, 2004 (As restated)	Audited Year ended December 31, 2004
<b>Cash flow from operating activities</b>			
Cash received from customers	-	234,935	425,201
Cash paid to suppliers and employees	(543)	(181,583)	(325,967)
<i>Cash generated / (utilized) by operations</i>	(543)	53,352	99,234
Interest received	27	5	30
Interest paid	(2)	(780)	(1,020)
Income tax paid	(32)	(41)	(121)
<i>Net cash generated / (utilized) by operating activities</i>	(550)	52,536	98,123
<b>Cash flow from investing activities</b>			
Proceeds from sale of short term investment	-	981	981
Proceeds from partial disposal of investment in subsidiary	-	-	2,320
Purchase of tangible fixed assets	-	(32,644)	(46,060)
<i>Cash absorbed by investing activities</i>	-	(31,663)	(42,759)
<b>Cash flow from financing activities</b>			
Lease financing received	-	7,775	-
Lease financing paid	-	(331)	(3,526)
<i>Cash generated by financing activities</i>	-	7,444	-
<b>Change in scope of consolidation</b>	-	-	(26,326)
<b>Net (decrease) / increase in cash</b>	(550)	28,317	25,512
Net cash / (debt) at the beginning of the year	3,120	(22,392)	(22,392)
<b>Net cash at the end of the year</b>	2,570	5,925	3,120
Cash deposits and cash at bank	2,570	15,083	3,120
Short term loans and bank overdraft - unsecured	-	(9,158)	-
<b>Net cash at the end of the year</b>	2,570	5,925	3,120

**ACCOUNTING POLICIES**

The financial statements were prepared in accordance with International Financial Reporting Standards and in terms of the same accounting policies applied during the previous financial period except that during the year ended 31 December 2004, the Company changed its accounting policy in respect of secondary development expenditure (details of which can be found in the annual report for the year ended 31 December 2004 as posted to shareholders on 26 August 2005). Previously, the cost of developing access to mine ore bodies during the commercial production stage that were deemed significant and identified as benefiting future years were deferred and expensed in the year when the related production was achieved. Subsequently, these costs were expensed as incurred. Also, the consolidated financial statements incorporated the financial results of the majority owned subsidiary KCM up to 31 October 2004. Following the change in majority ownership of KCM with effect from 31 October 2004, the results of KCM are included according to the equity accounting method for associated companies.

## **CHAIRMAN'S STATEMENT**

It is with great pleasure, after the trying period of the past few months, that I present ZCI's interim results for the 6 months ended 30 June 2005. This is the first full accounting period, which reflects ZCI's changed status from majority to minority shareholder of Konkola Copper Mines plc ("KCM").

Shareholders will note that the Company's investment in KCM remains profitable, returning a net profit of USD 12,7 million for the period. This profit is due to consistently high copper prices in the first six months of the year. The Board of ZCI is however concerned that production levels at KCM remain disappointingly low and accordingly KCM has not been able to maximise its profitability by taking advantage of the currently strong copper prices. KCM's low copper production levels, combined with low acid production which has forced KCM to purchase acid and therefore increase its operating costs, has prompted me to write to both KCM and Vedanta Resources plc ("Vedanta"), recording ZCI's concerns and requesting an explanation for the production shortfall and stressing the importance that every effort be made to increase production levels at KCM to the targeted levels.

ZCI has entered an extremely important phase in its history. As was mentioned in an announcement on 2 September 2005, Vedanta has given notice that it is exercising its call option in terms of the Vedanta Call Option Deed ("the Deed"). Shareholders will recall that the Deed gives Vedanta the right to purchase the remaining 28.4% of KCM shares held by ZCI through its wholly owned subsidiary, ZCI Holdings S.A. The key terms of the call option were fully described in the circular posted to shareholders on 11 October 2004, regarding the recommended introduction of Vedanta as a strategic equity partner in KCM, and were repeated in the 2004 ZCI annual report.

The terms of the Deed stipulate that the parties shall have an initial period within which to attempt to reach agreement on the option exercise price. In the event that the parties are unable to reach agreement on the option exercise price within this period, the price shall be determined by an independent investment bank to be appointed either by agreement between Vedanta and ZCI, or in the absence of such agreement, by the auditors of KCM.

In the event that Vedanta is unwilling to pay the option exercise price, it shall not be required to proceed with the associated purchase of ZCI's KCM shares. The Deed requires however that ZCI accept the option exercise price as determined by the independent investment bank.

ZCI and Vedanta were unable to reach agreement on the option exercise price within the initial 10 business day period prescribed in the Deed and the parties are now involved in the process of selecting and appointing a mutually-acceptable independent investment bank, whose mandate will be to determine the option exercise price. The ZCI Board undertakes to provide regular updates to shareholders on all significant developments as and when they occur.

**Jean-Pierre Rozan**  
*Chairman*

Bermuda      23 September 2005