ZCI Limited

Chairman's report

(Formerly Zambia Copper Investments Limited)
(Registered in Bermuda)
(Bermudian registration number 661:1969)
(South African registration number 1970/000023/10)
JSE code: ZCI ISIN: BMG9887P1068
Euronext share code: BMG9887P1068
("ZCI" or "the Company")

I am pleased to present the reviewed provisional condensed consolidated annual results for the year ended 31 March 2010. Shareholders will observe that the Company returned a profit of USD US$19.4 million (2009: US$0.5 million). The results are a reflection of the effect of the acquisition of African Copper Limited ("ACU"). The Company commenced the financial year with a Net Asset Value ("NAV") of US$1.85 and closed the financial year with a NAV of US$2.67.

The year under review was marked by significant change. On 21 May 2009, ZCI subscribed for and acquired 686,570,543 ordinary shares in African Copper Plc ("ACU"), a public limited Company incorporated and domiciled in England, listed on the AIM market of the London Stock Exchange as well as the Botswana Stock Exchange, effectively obtaining control of this group. The financing transaction, which was approved by the Company's shareholders at an extraordinary meeting held on 11 January 2010 effectively ended the Company's classification as a cash shell on the JSE Ltd ("JSE"). The investment became the basis for the Company's relisting on the non-ferrous metal section of the JSE's main board, which was finalised on 15 January 2010. To mark this new era in its history, the Company finalised its name change in May 2010 and is now trading on both its primary and secondary listings under its new name, ZCI Limited, and with a new share code, BMG9887P1068.

The Company's newly acquired subsidiary is the focus of ZCI's business plan, as published in the Company's Circular to Shareholders dated 2 September 2008, and it is an investment of which the Group is justifiably proud. ACU holds exclusive rights for the exploration and development of copper deposits in an extensive area of Botswana. As a prerequisite to its relisting on the JSE, the Company commissioned the preparation of a Competent Persons Report ("CPR") from Read, Swatman & Voigt (Pty) Ltd ("RSV"), in South Africa on ACU's mining and exploration assets. An executive summary of the CPR was included in a Circular to Shareholders dated 17 December 2009 and is one of the many factors engendering an optimistic outlook for the future of the investment.

The year was not without its difficulties however, not least of which was the adverse economic climate in which the Company did business.

Against this background the Company concentrated its investment focus on bringing the newly acquired subsidiary to achieving full commercial production at its open-pit Mowana mine, which had been placed under care and maintenance since January 2009. Production recommenced in late August 2009 and ZCI is confident that significant progress has been made towards achieving sustainable optimum production levels. The subsidiary has turned its attention to exploiting and developing the Thakadu-Makala deposit, situated on the Matsitama belt and conserving its prospecting licences in the areas believed by management to be the most promising (or already hosting known mineralization) based on exploration work completed in and prior to 2008.

The Company continues to review other investment opportunities in accordance with its business plan. In the last quarter of the financial year the Company advanced a loan of US$6 million at attractive rates of return to the Zambia-based Ndola Lime Company, which is the leading supplier of quicklime to the mining industry in the Zambian/Congolese Copperbelt.

In conclusion, significant progress has been made in implementing the Company's business plan and achieving long-term optimal production at ACU.

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I take this opportunity of welcoming Kathryn Bergkoetter as financial director of the Company with effect from 8 September 2009. I can confirm that Ms Bergkoetter's expertise and in-depth knowledge of ZCI has made significant contributions to the Company during a time of considerable change and activity, confirming that the shareholders' faith in her is well-placed.

In accordance with the JSE listing requirements and the recommendations of the King Report on Governance for South Africa 2009, the Company appointed Professor Stephen Simukanga as the Lead Independent non-Executive Director with effect from 8 April 2010. I am confident that Professor Simukanga's integrity and diligence will be of invaluable assistance to the Company in meeting the expectations of the new era of corporate governance.

The Company is in the process of complying with the JSE's Listing Requirements to appoint a Chief Executive Officer. In accordance with a temporary dispensation granted by the JSE, ZCI will settle this issue by 31 March 2011.

It is thus on a note of determination and with a certain measure of optimism that ZCI looks to the year ahead in the belief that it is both strategically and financially placed to aggressively pursue its business plan for the coming year.

Thomas Kamwendo

Chairman,

Bermuda

30 June 2010

ZCI Limited

Consolidated Statement of comprehensive income

	Reviewed For year ended 31 March 2010 US$'000	*Audited* For year ended 31 March 2009 US$'000
Revenue	7 392	-
Cost of sales	(15 319)	-
Operating loss from mining activities	(7 927)	-
Administrative expenses	(1 531)	(2 177)
Other expenses	(4 275)	(737)
Selling and distribution expenses	(18)	-
Foreign exchange losses	(2 250)	-
Operating loss	(16 001)	(2 914)
Negative goodwill	34 621	-
Profit/(loss) before net finance income	18 620	(2 914)
Finance income	509	3 652
Finance expense	(64)	(150)
Profit before tax	19 065	588
Income tax	297	(72)
Profit for the year	19 362	516
Other comprehensive income:		
Exchange differences on translation of foreign operations	1 188	-
Total comprehensive income for the year	**20 550**	516
Profit attributable to:		
Equity holders of the parent	**21 253**	**516**
Non-controlling interest	**(1 891)**	**-**
Total comprehensive income attributable to:		
Equity holders of the parent	**22 229**	**516**
Non-controlling interest	**(1 679)**	**-**
Basic earnings per ordinary share (US cents)	38.17	0.56
Diluted earnings per ordinary share (US cents)	36.80	0.56

ZCI Limited

Consolidated Statement of financial position

	Reviewed 31 March 2010 US$'000	*Audited* 31 March 2009 US$'000
ASSETS		
Property, plant and equipment	35 744	-
Intangible assets	55 628	-
Other financial assets	327	-
Long term receivables	6 000	-
Total non-current assets	97 699	-
Other receivables and prepayments	984	76
Inventories	1 780	-
Cash and cash equivalents	48 430	102 939
Total current assets	51 194	103 015
Total assets	**148 893**	**103 015**
EQUITY		
Share capital and Share premium	102 688	102 688
Foreign currency translation reserve	976	-
Retained earnings	21 253	-
Equity attributable to equity holders of the parent	124 917	102 688
Non-controlling interest	7 119	-
Total equity	132 036	102 688
LIABILITIES		
Deferred tax	7 542	-
Asset retirement provision	4 051	-
Total non-current liabilities	11 593	-
Trade and other payables	5 264	327
Total current liabilities	5 264	327
Total equity and liabilities	**148 893**	**103 015**

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Statement of changes in equity

	Share capital and Share premium	Revaluation reserve of available for sale reserves	Foreign currency translation reserve	Assets classified as held for sale	Retained earnings/ (Accumulated losses)	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 April 2008	**334 547**	**702**	-	**(12 113)**	**(100 870)**	**222 266**	**-**	**222 266**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	516	516	-	516
Other comprehensive income	-	(702)	-	12 113	-	11 411		11 411
Transfer from hedging reserve	-	-	-	12 113	-	12 113	-	12 113
Revaluation on available for sale investment	-	(702)	-	-	-	(702)	-	(702)
Total comprehensive income for the year	-	-	-	-	516	11 927	-	11 927
Transactions with owners, recorded directly in equity								
Share buyback and reduction	(131 505)	-	-	-	-	(131 505)	-	(131 505)
Transfer from share capital	(100 354)	-	-	-	100 354	-	-	-
Total contributions by and distributions to owners	(231 859)	-	-	-	100 354	(131 505)	-	(131 505)
Balance as at 31 March 2009	**102 688**	**-**	**-**	**-**	**-**	**102 688**	**-**	**102 688**
Arising on business acquisition	-	-	-	-	-	-	8 798	8 798
Total comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	21 253	21 253	(1 891)	19 362
Other comprehensive income	-	-	976	-	-	976	212	1 188
Foreign currency translation differences	-	-	976	-	-	976	212	1 188
Total comprehensive income for the year	-	-	976	-	21 253	22 229	(1 679)	20 550
Balance as at 31 March 2010	**102 688**		**976**	-	**21 253**	**124 917**	**7 119**	**132 036**

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Consolidated Statement of cash flows

	Reviewed 31 March 2010 US$'000	*Audited* 31 March 2009 US$'000
Cash flows from operating activities		
Cash utilised by operations	(10 798)	(1 126)
Interest received	509	3,652
Interest paid	(64)	(150)
Income tax paid	-	(72)
Cash (outflow)/inflow from operating activities	**(10 353)**	**2 304**
Cash flow from investing activities		
Additions to property, plant and equipment	(3 492)	-
Acquisition of subsidiary (net of cash acquired)	(1 438)	-
Repayment of interest bearing borrowings	(34 414)	-
Realised gain on investment	-	213 234
Long term receivable advanced	(6 000)	-
Cash (outflow)/inflow from investing activities	(45 344)	213 234
Cash flow from financing activities		
Repurchase own shares	-	(131 505)
Cash outflow from financing activities	-	(131 505)
Effect of foreign currency translation	1 188	-
Net (decrease)/increase in cash and cash equivalents	(54 509)	84,033
Cash and cash equivalents at beginning of the year	102 939	18 906
Cash and cash equivalents at the end of the year	48 430	102 939

ZCI Limited

Notes to the financial statements

1. General information

ZCI Limited ("**ZCI**" or the "**Company**") is a public company incorporated and domiciled in Bermuda with a primary listing on the JSE and a secondary listing on the Euronext.

ZCI 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 north eastern portion of Botswana and the Matsitama Project is contiguous to the southern boundary of the Mowana Mine.

2. Basis of preparation

The provisional condensed consolidated financial results for the year ended 31 March 2010 have been prepared in accordance with the recognition and measurement criteria of IFRS, its interpretations adopted by the International Accounting Standards Board (IASB), the presentation as well as the disclosure requirements of IAS 34 – Interim Financial Reporting and the Listings Requirements of the JSE Limited and the AC500 series issued by SAICA.

3. Accounting policies

The accounting policies applied in the presentation of the provisional condensed consolidated financial results are consistent with those applied for the year ended 31 March 2009, with the exception of the following standards and interpretations, effective for the first time for the current financial year, that has been applied from 1 April 2009:

- IFRS 8 Operating Segments – the application of the new standard has not impacted the way management reports segmented information as the group has only one operating segment.
- 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 to date.
- 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.
- 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. These additional disclosures will be provided in the in the notes to the annual financial statements.

The Group did not early adopt IFRS 3 (2008) to account for the ACU transaction, but applied IFRS 3 (2004).

4. Group segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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 Company and it is reviewed as a whole by the Board (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. All mining revenue derives from a single customer.

As such, no segmental report has been prepared.

5. Business acquisition

As at 21 May 2009, ZCI Limited acquired 82.16% of the issued share capital of African Copper PLC and its subsidiaries for a purchase consideration of GBP 6 765 705.

The purpose of the transaction was to achieve the Company's objective of enhancing meaningful value to shareholders. Prior to the transaction, the Company's assets comprised of cash and the offer to ACU was one of the steps being taken by the board of ZCI in implementing the Company's new business plan.

The ACU group required funding to continue their operations. As a result of the financial position of ZCI, it was able to provide such funding and could negotiate a favourable purchase price.

The following summarises the amounts of assets acquired and liabilities assumed at the acquisition date:

	Carrying value US$'000	Fair value US$'000
Property, plant and equipment	62 564	33 156
Intangible assets (mineral property interest)	-	57 309
Other financial assets	319	319
Trade and other receivables	1 296	1 296
Inventories	1 453	1 453
Cash and cash equivalents	10 029	10 029
Deferred taxation	-	(7 839)
Asset retirement obligation	(3 762)	(3 762)
Interest bearing borrowings	(39 249)	(34 414)
Trade and other payables	(3 394)	(2 661)
Total identifiable net assets	29 256	54 886
Total purchase consideration		(11 467)
Non-controlling interest arising on acquisition of business		(8 798)
Negative goodwill arising on acquisition		34 621

Transaction costs amounting to $0.9 million associated with finalising the transaction were incurred, all of which relating to the acquisition, was capitalised as part of the investment. The year end of ACU was 31 December but was changed to correspond to that of the holding company.

The contributions to revenue and operating loss since acquisition had the acquisition occurred on 1 April 2009, respectively, are as follows:

	Since acquisition US$'000	For the full year to date US$'000
Revenue	7 392	7 293
Loss before income tax	10 600	12 393

6. Financing of mining activities

On 31 January 2010 ZCI and ACU completed the refinancing of the US$32.4 million bridge loan facilities that the Company provided to ACU in May 2009 with a four year secured credit facility (the "Facility"). The Facility places African Copper's borrowings from ZCI on a more permanent footing and comprises a convertible Tranche A of US$8.4 million with a coupon of 12% per annum and Tranche B that is not convertible of US$22.8 million with a coupon of 14% per annum.

On 31 March 2010 the Company completed a US$10 million loan with Messina (the "March Facility"). The terms of the March Facility include an interest rate of 6% per annum payable quarterly, repayment on or before 31st March 2011 and a renewal option. The March Facility is secured under the Facility which includes security over African Copper and all other African Copper Group companies' assets, including the Mowana Mine and a guarantee by African Copper. As part of securing the March Facility, the Company also agreed to the deferral of the US$ 209 478 Facility interest payment that was due on 31 March 2010.

The Group remains in a cash positive position with no external long term debt.

7. Capital commitments

Contractual Obligations	**Total US$'000**	**2010 US$'000**	**2011 US$'000**	**2012 US$'000**
Goods, services and equipment [a]	3,436	3,330	106	-
Exploration licences [b]	1,014	-	1	1,014
Mining licence	6	1	1	4
Lease agreements [c]	277	143	124	9
	4,733	3,474	232	1,027

a) The 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 Group's prospecting licences, one of the subsidiaries is obliged to incur certain minimum expenditures.

c) The Group has entered into agreements to lease premises for various periods until 5 November 2010.

This expenditure will be funded internally, and if necessary, from borrowings.

8. Earnings per share information

	2010	**2009**
Headline earnings per share (US cents)	(24.01)	(0.20)
Diluted headline earnings per share (US cents)	(25.38)	(0.20)
Number of ordinary shares in issue	55 677 643	55 677 643
Weighted average and diluted number of shares in issue	55 677 643	55 677 643
	US$'000	**US$'000**
The following adjustments to profit attributable to ordinary shareholders were taken into account in the calculation of diluted earnings per share:		
Attributable to equity holders of the parent	21 253	516
Increase in shareholding in subsidiary with respect to convertible portion of debt	(763)	-
Diluted profit attributable to equity holders of the parent	20 490	516
The following adjustments to profit attributable to ordinary shareholders were taken into account in the calculation of headline earnings per share:		
Attributable to equity holders of the parent	21 253	516
- Negative goodwill	(34 621)	-
- Tax effect	-	-
Headline (loss)/earnings attributable to equity holders of the parent	(13 368)	516
Increase in shareholding in subsidiary with respect to convertible portion of debt	(763)	-
Diluted headline earnings attributable to equity holders of the parent	(14 131)	516

9. Share bonus options

During the year a share appreciation bonus plan was approved for the benefit of directors of ZCI. In terms of the scheme, the directors have the right to receive a cash payment on the vesting date equalling the increase in a deemed value per share.
1 095 000 qualifying shares were granted during July 2009 at a price of US1.85 per share. The shares vest in equal amounts over a three year period. The first tranche, equalling 365 000 shares vested on 31 March 2010 at an exercise price of US$2.3 per share. No shares expired in or were any of these share options exercised during the current year.

Another 1 095 000 shares were granted on 31 March 2010 at US$2.30.

10. Related party transactions

The Group, in the ordinary course of business and similar to last year entered, into various consulting arrangements with related parties on an arm’s length basis at market related rates. The only change from the previous year is the funding provided to the subsidiaries, all of which is also at arm’s length and at market related rates.

11. Financial risk management

The Group’s exposure to financial instruments risks has changed following the acquisition of ACU. The Group now also has exposure to the following risks:

- foreign currency risk
- commodity price risk

As a result of the Group’s main assets and subsidiaries being held in Botswana and having a functional currency different to the presentation currency, the Group’s balance sheet can be affected significantly by the movements in the US Dollar and the Botswana Pula.

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.

The use of derivatives is based on established practices and parameters which are subject to the oversight of the Board of Directors. 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.

12. Mineral resources and reserves

There have been no material changes to the resources and reserves as disclosed in the Executive Summary of the Competent Persons Report (“CPR”) prepared by Read, Swatman & Voigt (Pty) Ltd (“RSV”) of South Africa, in respect of African Copper Plc’s (“ACU”) mining and exploration assets. The Executive Summary of the CPR was included in a Circular to Shareholders dated 17 December 2009 and will be attached to the Company’s Annual Report.

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Notes to the financial statements

13. Post balance sheet events

There have been no events that have occurred after balance sheet date that would have a material impact on the reported results.

14. Review opinion

The provisional condensed consolidated statement of financial position at 31 March 2010 and the related provisional condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended have been reviewed by our auditors, KPMG Inc. Their unmodified review report is available for inspection at the registered office of the Company (Clarendon House, 2 Church Street, Hamilton, Bermuda) and the offices of the sponsor.

ZCI Limited

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the shareholders of the Company will be held in Luxembourg, on Thursday 23 September 2010 at 14h30 CET to transact the business as stated in the notice of annual general meeting, which shall be included in the annual report, together with venue details.

Thomas Kamwendo

Chairman

Bermuda, 30 June 2010

Company Secretary

John Kleynhans

Registered office

Clarendon House, 2 Church Street, Hamilton, Bermuda

Transfer Secretaries

Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 South Africa

Sponsor

Bridge Capital Advisors (Pty) Limited, 27 Fricker Road, Illovo Boulevard, Illovo, 2196 South Africa

Auditors

KPMG Inc., KPMG Crescent, 85 Empire Road, Parktown, 2193, Private Page X9, Parkview

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