ZCI Limited

Condensed Consolidated Interim Financial Statements

For the period ended 30 September 2011

ZCI Limited

Chairman's statement

I am pleased to present the Group's condensed reviewed consolidated interim results for the six months ended 30 September 2011. The Group returned an operating loss of USD7.7 million from activities for the six months to 30 September 2011, compared to an operating loss of USD6.7 million for the same period in the previous year.

Mining activities

While mining operations have yet to consistently achieve forecast production levels, there have been some positive outcomes reported since 31 March 2011.

The archaeological site at Thakadu was excluded from the initial mining licence granted. Permission to conduct mining activities in this area has now been received from the Ministry of Minerals, Energy and Water Resources of the Government of the Republic of Botswana.

In terms of copper produced in concentrate, production for the first and second quarters of the financial year was 176% and 53% higher than the respective quarters from last year

Copper produced in concentrate continued to progressively increase during the second quarter with total production of 3 486 tonnes for the six months ended 30 September 2011. During August 2011, the mine achieved a record production level of 703 Mt recovered copper.

Higher production levels were achieved due to marked improvements in maintenance strategies at the secondary and tertiary crushers, improved production at Thakadu, higher availability of the mill and increasing recoveries as mining moved from oxidic areas to more supergene rich areas at Mowana and Thakadu.

With copper prices falling from prices in excess of USD4.00 per lb at the time of announcing the March 2011 results to approximately USD3.50 per lb in early December 2011, the average weighted copper price achieved on sale of concentrate has been approximately USD3.80 per lb compared with a budgeted figure averaging approximately USD4.40 per lb. The combination of lower realised prices and lower than expected production levels were primary contributors to the underperformance of the operations compared to the Directors' original projections. In addition, processing costs were higher than budgeted as a result of higher than anticipated use of reagent chemicals to increase recoveries on Thakadu oxide ore and ongoing maintenance costs on the secondary and tertiary crushing circuit.

Continuing plant upgrades are in progress and are expected to be completed by the year-end.

The mine is not yet performing at the expected levels, but we remain confident that the projected production figures can still be met, despite uncertainties disclosed in note 5 to the financial statements.

Financial statements and operations

The weakening of the Botswana Pula of approximately 10% against the US Dollar during the period impacted the financial position negatively.

Additions to property, plant and equipment over the reporting period comprised principally two sources: increased capital work in progress (arising from the Mowana North drilling programme, completion of the wet tailings dam and further plant expansion projects) as well as significant waste stripping activity at Mowana mine. The impact of these on the statement of financial position at period end was reduced by the weakening in the exchange rate.

Additional liquidity for the Group's operations was provided through the repayment of USD6 million of the loan facility extended to Ndola Lime Company Limited.

ZCI Limited

Chairman's statement

ZCI continued to provide financing for mining activities of its subsidiary with an additional USD4 million of the USD12.5 million loan facility drawn down during the six-month period ended 30 September 2011, and an additional USD4.5 million drawn down subsequent to this period. The additional funds have been used to finance a range of activities including growth projects, plant capital expenditure, plant enhancements, working capital and additional stripping. The benefits of this additional investment are expected to be evidenced by higher production levels and improved efficiencies in coming periods.

Decreased stock pile inventory quantities on hand together with a decrease in the price thereof, resulted in an overall decrease in inventory balances at 30 September 2011.

Pressure has been placed on cash balances over the period due to the demands of expansion and plant projects, as well as increased mining activity and waste stripping.

Trade payables for the period increased largely due to increased contractor activity with respect to extended waste stripping at Mowana mine. Expansion programmes at Mowana North also necessitated increased work on the part of contractors with a flow on effect into trade payables.

Better pricing and higher grades achieved had a positive influence on revenue for the six-month reporting period when compared to the prior period.

Corporate governance developments

Significant changes have taken place at a ZCI board level. Steven Georgala and David Rodier did not seek re-election to the board of ZCI at the recent Annual General Meeting but continue to be actively involved in Group's operations. On behalf of the Board of Directors I again thank them for their contributions to the Company over many years of service.

With an effective date of 1 November 2011, Thomas Kamwendo resigned as Non-executive Chairman and was appointed to the role of Chief Executive Officer of ZCI. Mr Kamwendo has served for several years as Chairman of the Company and is now tasked with leading the strategy of the Company to help drive value for shareholders. On behalf of the Board of Directors I extend my congratulations to Mr Kamwendo for his appointment and we look forward to supporting him in the role.

With Mr Kamwendo vacating the seat of Chairman of the Company, I am pleased to announce that effective 1 November 2011 I have accepted the honour of being elected to the position of Non-executive Chairman of the Board of Directors.

ZCI also continues to make advancements in its long-term plan for the incremental implementation of King III corporate governance principles. ZCI recognises the benefits of the principles of King III and the long-term sustainability it can help achieve within the Group.

In July 2011, ZCI provided notice of the termination of the Investment Advisory and Management Agreement (the "**IAMA**") between ZCI and iCapital (Mauritius) Limited. The termination of the IAMA will assist ZCI in achieving its strategic objectives and ZCI and iCapital (Mauritius) Limited are in advanced negotiations on all outstanding matters.

I am confident that the period to 31 March 2012 will be one in which the ongoing investment of ZCI in the mining operations of the Group will continue to result in production levels moving closer to achieving the intended level of steady state copper production.

Edgar Hamuwele

Chairman

Bermuda

23 December 2011

ZCI Limited

Condensed Consolidated Statement of Comprehensive Income

	Note	*Reviewed* Six months ended 30 September 2011 USD'000	*Reviewed* Six months ended 30 September 2010 USD'000	*Audited* Twelve months ended 31 March 2011 USD'000
Revenue		23 066	11 583	24 731
Cost of sales		(28 264)	(16 504)	(22 663)
Gross (loss)/profit from mining activities		(5 198)	(4 921)	2 068
Administrative expenses		(2 865)	(918)	(5 150)
Other expenses		(1 581)	(846)	(2 726)
Foreign exchange gains/(losses)		1 943	(61)	63
Operating loss		(7 701)	(6 746)	(5 745)
Finance income		442	46	1 384
Finance expense		(337)	–	(1 118)
Loss before tax		(7 596)	(6 283)	(5 479)
Income tax		211	201	(657)
Loss for the period		(7 385)	(6 082)	(6 136)
Other comprehensive income:				
Exchange differences on translation of foreign operations		(4 554)	3 726	7 006
Total comprehensive income for the period		**(11 939)**	(2 356)	870
Loss attributable to:				
Equity holders of the parent		**(4 849)**	(5 049)	(4 718)
Non-controlling interest		**(2 536)**	(1 033)	(1 418)
Total comprehensive income attributable to:				
Equity holders of the parent		**(8 683)**	(1 988)	1 181
Non-controlling interest		**(3 256)**	(368)	(311)
Basic loss per ordinary share (US cents)	6	(8.71)	(9.07)	(8.47)
Diluted loss per ordinary share (US cents)	6	(10.42)	(9.82)	(9.31)

ZCI Limited

Condensed Consolidated Statement of Financial Position

	Note	*Reviewed* 30 September 2011 USD'000	*Audited* 31 March 2011 USD'000
ASSETS			
Property, plant and equipment		50 575	47 966
Intangible assets		51 971	51 425
Other financial assets		313	345
Long-term receivable		2 000	4 000
Total non-current assets		104 859	103 736
Inventory		6 538	10 483
Trade and other receivables		5 981	3 847
Current portion of long-term receivable		2 012	6 048
Cash and cash equivalents		24 147	26 417
Total current assets		38 678	46 795
TOTAL ASSETS		**143 537**	**150 531**
EQUITY			
Share capital		102 688	102 688
Foreign currency translation reserve		(133)	3 701
Share option reserve	8	362	–
Retained earnings		9 852	14 701
Equity holders of the parent		112 769	121 090
Non-controlling interest		2 004	5 260
Total equity		114 773	126 350
LIABILITIES			
Deferred tax		6 976	7 187
Environmental rehabilitation provision		6 044	7 150
Loans and borrowings		942	–
Total non-current liabilities		13 962	14 337
Trade and other payables		14 135	9 844
Loans and borrowings		667	–
Total current liabilities		14 802	9 844
TOTAL EQUITY AND LIABILITIES		**143 537**	**150 531**

ZCI Limited

Consolidated Statement of Changes in Equity

	Share capital USD'000	Foreign currency translation reserve USD'000	Share option reserve USD'000	Retained earnings USD'000	Attributable to equity holders of the parent USD'000	Non-controlling interest USD'000	Total equity USD'000
Balance as at 31 March 2010	102 688	(2 145)	–	18 651	119 194	6 286	125 480
Loss for the period	–	–	–	(5 049)	(5 049)	(1 033)	(6 082)
Other comprehensive income – foreign currency translation differences	–	3 061	–	–	3 061	665	3 726
Total comprehensive income for the period	–	3 061	–	(5 049)	(1 988)	(368)	(2 356)
Balance as at 30 September 2010	102 688	916	–	13 602	117 206	5 918	123 124
Balance as at 31 March 2011	102 688	3 701	–	14 701	121 090	5 260	126 350
Transactions with owners recorded directly in equity							
Share option reserve (note 8)	–	–	362	–	362	–	362
Loss for the period	–	–	–	(4 849)	(4 849)	(2 536)	(7 385)
Other comprehensive income – foreign currency translation differences	–	(3 834)	–	–	(3 834)	(720)	(4 554)
Total comprehensive income for the period	–	(3 834)	–	(4 849)	(8 683)	(3 256)	(11 939)
Balance as at 30 September 2011	**102 688**	**(133)**	**362**	**9 852**	**112 769**	**2 004**	**114 773**

ZCI Limited

Condensed Consolidated Statement of Cash Flows

	Reviewed Six months ended 30 September 2011 USD'000	*Reviewed* Six months ended 30 September 2010 USD'000
Cash flow from operating activities		
Cash generated/(utilised) by operations	55	(3 744)
Interest received	430	412
Interest paid	(337)	–
Cash inflow/(outflow) from operating activities	**148**	**(3 332)**
Cash flow from investing activities		
Additions to property, plant and equipment	(10 179)	(4 558)
Additions to intangible assets	(1 037)	–
Proceeds of disposal of property, plant and equipment	400	65
Cash outflow from investing activities	(10 816)	(4 493)
Cash flow from financing activities		
Repayment of long-term receivable	6 000	–
Additional finance raised	1 609	–
Cash outflow from financing activities	7 609	–
Effect of currency translation	789	(352)
Net decrease in cash and cash equivalents	(2 270)	(8 177)
Cash and cash equivalents at the beginning of the period	26 417	48 430
Cash and cash equivalents at the end of the period	24 147	40 253

ZCI Limited

Notes to the Financial Statements

1. General information

ZCI is a public company incorporated and domiciled in Bermuda. It has a primary listing on the Johannesburg Stock Exchange and a secondary listing on the Euronext.

The Company's business is not affected by any Government protection or investment encouragement laws.

ZCI is the holding company of African Copper Plc ("**ACU**"), 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.

The address of ZCI's registered office is Clarendon House, 2 Church Street, Hamilton, Bermuda. These condensed consolidated interim financial statements were approved for issue on 20 December 2011 by the board of directors.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2011 have been prepared in accordance with International Accounting Standard IAS 34: Interim Financial Reporting, and the AC 500 series issued by the Accounting Practices Board and in compliance with the Listings Requirements of the JSE Limited.

The condensed consolidated interim financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest thousand.

3. Significant accounting policies

The accounting policies applied in the presentation of the condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards ("**IFRS**") and are consistent with those applied for the year ended 31 March 2011.

During the period, the following accounting pronouncements, none of which had a material impact on the group's results, became effective:

– IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

– Improvements to IFRSs 2010

– IAS 24 – Related Party Disclosures (revised 2009)

A number of new standards, amendments to standards and interpretations that could be relevant to the Group, are not yet effective for the period ended 30 September 2011, and have not been applied in preparing these condensed consolidated interim financial statements:

– IAS 12 – Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12, effective for annual periods beginning on or after 1 January 2012.

– IFRS 7 amendment – Disclosures – Transfers of Financial Assets, effective for annual periods beginning on or after 1 July 2011.

- –IFRS 9 (2010) – Financial Instruments, effective for annual periods beginning on or after 1 January 2013.
- –IFRS 10 (2011) – Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2013.
- –IFRS 12 (2011) – Disclosure of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2013.
- –IFRS 13 (2011) – Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013.
- –IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after 1 January 2012.

With the exception of IFRS 9 and IFRIC 20, these standards and interpretations are not expected to have a significant effect on the consolidated financial statements of the Group. IFRS 9 (2010) which becomes mandatory for the Group’s 2013 consolidated financial statements and could change the classification and measurement of financial assets. IFRIC 20 provides further guidance with regards to the recognition of production stripping in surface mining activities. The Group does not plan to adopt these standards or interpretations early and the extent of the impact has not yet been determined.

4. Segment information

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, a separate segmental report has not been prepared.

5. Going concern

Since the publication of the Group’s annual financial statements in August 2011, which contained details of the key assumptions and factors impacting the Company and its subsidiary's ability to continue as going concerns, progress has been made in respect of production levels and a number of capital projects envisaged have been successfully undertaken.

However, in spite of the progress on production and the ongoing capital projects to upgrade and remove bottlenecks in the production facilities, the mass of copper produced in concentrate has not attained the levels needed to generate overall positive cash flows for the business and the Group incurred a loss of USD7.4 million for the period ended 30 September 2011 (2010: USD6.1 million).

The Directors have updated the Group's cash flow projections. These show that the projected peak funding requirement by ACU, the Company's subsidiary, is estimated to be USD6.1 million and to occur in March 2012. The Directors of ZCI have agreed with the directors of ACU that the Company will not demand payment on any of the outstanding ACU debt due to them until 31 December 2013 unless the performance of ACU, and its prospects, as determined by the Directors, permits the repayment of debt beforehand. In addition, the Company has undertaken to further make sufficient funding available to ACU until 31 March 2013 to allow it to continue to meet its obligations as they fall due in the normal course of business. In the view of the Directors, this will allow ACU to trade as a going concern for at least 12 months from the date of the announcement of these interim results.

The projections described above assume an average copper price of USD3.70 per lb and average monthly production of 788 Mt of copper produced in concentrate over the course of the four-month period until 31 March 2012. This compares to an average monthly production of 588 Mt of copper produced in concentrate over the course of the four-month period ended 30 November 2011. A 10% reduction in the average price of copper applied to the projected production levels increases the projected peak funding requirement by USD2.5 million. A 10% decrease in the average monthly production tonnage, assuming that the projected average copper price is achieved, increases the projected peak funding requirement by USD2.3 million.

The current Group cash flow projections forecast positive cash flows on a monthly basis during the first half of the next financial year based on the following anticipated factors:

- approximately 64% of ore processed during this period is anticipated to be mined from the Thakadu open-pit with an average grade of 2.1%;
- the new secondary and tertiary crushers will be available thereby significantly reducing downtime and increasing throughput to the mill; and
- average recoveries are projected to increase to approximately 63%, reflecting the processing of less pure oxide ore as mining progresses deeper in the Thakadu and Mowana open-pits.

The unproven ability of the Group to achieve the forecasted production figures, the volatility of the copper price and other factors discussed above, represent a material uncertainty in relation to the ability of the Company and its subsidiaries to realise their assets and discharge their liabilities in the normal course of business.

Should the projected production levels and key financial assumptions not be reached, the Company and its subsidiaries will have to source additional external funding in order to realise their assets and discharge their liabilities in the normal course of business. In the event that additional funding is not forthcoming, these conditions may cast significant doubt about the ability of the Company and its subsidiaries to continue as going concerns.

6. *Loss per share*

	Six months ended 30 September 2011	Six months ended 30 September 2010	Twelve months ended 31 March 2011
Basic loss per ordinary share (US cents)	(8.71)	(9.07)	(8.47)
Diluted loss per ordinary share (US cents)	(10.42)	(9.82)	(9.31)
Headline loss per ordinary share (US cents)	(8.71)	(9.07)	(8.47)
Diluted headline loss per ordinary share (US cents)	(10.42)	(9.82)	(9.31)
Number of ordinary shares in issue	55 677 643	55 677 643	55 677 643
Basic and diluted weighted average number of ordinary shares in issue	55 677 643	55 677 643	55 677 643

	USD'000	USD'000	USD'000
The following adjustments to loss attributable to ordinary shareholders were taken into account in the calculation of diluted earnings per share:			
Loss attributable to equity holders of the parent	(4 849)	(5 049)	(4 718)
Increase in shareholding in subsidiary with respect to convertible portion of debt	(950)	(417)	(464)
Tax effect	–	–	–
Diluted loss attributable to equity holders of the parent	(5 799)	(5 466)	(5 182)
The following adjustments to loss attributable to ordinary shareholders were taken into account in the calculation of headline and diluted headline earnings per share:			
Loss attributable to equity holders of the parent and headline loss attributable to equity holders of the parent	(4 849)	(5 049)	(4 718)
Increase in shareholding in subsidiary with respect to convertible portion of debt	(950)	(417)	(464)
Tax effect	–	–	–
Diluted headline loss attributable to equity holders of the parent	(5 799)	(5 466)	(5 182)

7. *Mineral Resources and Mineral Reserves*

The Group's Mineral Resources and Ore Reserves are under review to provide updated estimations for 2012, however no material changes to the Mineral Resources and Ore Reserves disclosed in the ZCI annual report for the year ended 31 March 2011 are expected, other than depletion, due to continued mining activities.

8. *Share bonus options*

The Company's subsidiary, ACU, granted 17 150 000 options over the ordinary shares of the entity on 12 July 2011 to members of the executive management team and Directors. The exercise price of the shares were 3.13 pence per share. Options have a maximum term of 10 years and 40% are exercisable immediately with the balance of 20% exercisable on each of the next three annual anniversaries of the awards.

Details of the options awarded are as follows:

Subsidiary director	**Number of options**
David Rodier (Non-executive Chairman)	500 000
R D Corrans (Non-executive Director)	500 000
Prof S Simukanga (Non-executive Director)	500 000
Jordan Soko (Interim Chief Executive Officer)	2 500 000
Brad Kipp (Chief Financial Officer)	2 500 000
Various executive team members	10 650 000
	17 150 000

On 21 November 2011 Prof S Simukanga's share options were cancelled to maintain his independence.

9. *Contractual commitments*

The Company entered into an Investment Advisory and Management Agreement ("**IAMA**") with iCapital (Mauritius) Limited ("**Advisor**") on 11 December 2008 which provided that the Advisor receive fees (fixed quarterly payments as well as periodic performance payments) for services provided. As disclosed in the 31 March 2011 annual report, the Advisor and the Company were unable to reach agreement as to the interpretation of certain clauses in the IAMA, and each party retained legal counsel in order to resolve their differences in opinion. Notice of termination of the agreement was subsequently given during July 2011 with effect January 2012. Under the termination clause of the current agreement, there is a fee payable to the Advisor for services rendered during the period, however, the extent of the liability cannot be reliably estimated at period-end.

Negotiations are in an advanced stage to settle the matter and terminate the contract in its entirety.

There were no other significant changes to commitments and contingencies as disclosed in the 31 March 2011 annual report.

10. *Related party transactions*

There were no changes with respect to the nature or terms of related party transactions during the period to that previously reported.

11. *Dividends*

No dividends were declared for the period under review.

12. *Events after the reporting period*

No other material events have taken place since the period-end that require adjustment to balances reported.

13. *Review opinion*

The condensed consolidated interim financial statements of ZCI for the period ended 30 September 2011 have been reviewed by our auditors, KPMG Inc. In their review report, dated 20 December 2011, KPMG Inc state that their review was conducted in accordance with the International Standards on Review Engagements 2410, Review of Interim Information Performed by the Independent Auditor of the Entity. They have expressed an unmodified conclusion with an emphasis of matter as follows: “Without qualifying our conclusion, we draw attention to note 5, which indicates that the Group incurred a loss for the six months ended 30 September 2011 of USD7.4 million. This condition, along with other matters as set forth in the note, indicates the existence of a material uncertainty that may cast significant doubt on the ability of the company and its subsidiaries to continue as going concerns.”

The 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.

Company secretary

John Kleynhans

Registered office

Clarendon House, 2 Church Street, Hamilton, Bermuda

Transfer secretaries

Computershare Investor Services (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 Bag X9, Parkview, 2122, South Africa

Website: www.zci.lu

ZCI Limited

(Bermudian registration number 661:1969)
(South African registration number 1970/000023/10)
JSE share code: ZCI ISIN: BMG9887P1068
Euronext share code: BMG9887P1068
("ZCI" or "the Company" or "the Group")