

**REVIEWED INTERIM REPORT**  
**ZAMBIA COPPER INVESTMENTS LIMITED**

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

**Consolidated statement of earnings**  
**for the twelve months ended December 31, 2005**  
*expressed in thousands of US Dollars*

	Reviewed Twelve months ended December 31, 2005	Unaudited Six months ended June 30, 2005	Audited Year ended December 31, 2004
Turnover	-	-	440,649
Cost of sales	-	-	(300,638)
Gross Profit	-	-	140,011
Other operating expenses	-	-	(62,020)
Depreciation	-	-	(12,412)
Profit from operations	-	-	65,579
Other income / (loss)	-	-	2,485
Interest income	78	33	30
Interest expense	(2)	(2)	(1,331)
General and administration expenses	(978)	(401)	(1,090)
(Loss) on sale of investment in subsidiary	-	-	(19)
Income from associated companies	14,545	13,138	25,093
Exceptional item	-	-	(9,763)
Profit before taxation	13,643	12,768	80,984
Taxation	(60)	(32)	(85)
Profit after taxation	13,583	12,736	80,899
(Profit) attributable to minority interest	-	-	(23,510)
Net Profit	13,583	12,736	57,389

per ordinary share in US cents

<b>Headline earnings before exceptional item and amortisation of goodwill</b>	10.76	10.09	53.21
<b>Exceptional expenses</b>	-	-	(7.73)
<b>Earnings per share (EPS)</b>	10.76	10.09	45.48
Number of ordinary shares in issue	126,197,362	126,197,362	126,197,362

**Consolidated statement of financial position  
as at December 31, 2005**

*expressed in thousands of US Dollars*

	Reviewed Twelve months ended December 31, 2005	Unaudited Six months ended June 30, 2005	Audited Year ended December 31, 2004
<b>Fixed assets</b>			
Tangible fixed assets	-	-	-
<b>Long term accounts receivable</b>	10,440	15,660	15,660
<b>Investment in associated companies</b>	75,828	74,421	61,282
<b>Current assets</b>			
Stocks	-	-	-
Accounts receivable	5,237	5,226	5,220
Cash and short-term investments	7,344	2,570	3,120
	<u>12,581</u>	<u>7,796</u>	<u>8,340</u>
<b>Current liabilities</b>			
Short term loans and bank overdrafts	-	-	-
Accounts payable and accrued liabilities	(340)	(215)	(356)
	<u>(340)</u>	<u>(215)</u>	<u>(356)</u>
<b>Net current assets</b>	<u>12,241</u>	<u>7,581</u>	<u>7,984</u>
<b>Total assets less current liabilities</b>	98,509	97,662	84,926
<b>Long term liabilities</b>			
Long term loans	-	-	-
Provisions	-	-	-
Minority interest	-	-	-
<b>Net assets</b>	<u>98,509</u>	<u>97,662</u>	<u>84,926</u>
<b>Capital and reserves</b>			
Capital	334,547	334,547	334,547
Accumulated deficit	(236,038)	(236,885)	(249,621)
	<u>98,509</u>	<u>97,662</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	78.06	77.39	67.30

**Consolidated statement of changes to equity**  
**for the twelve months ended December 31, 2005**  
*expressed in thousands of US Dollars*

	Share capital	Contributed surplus	Accumulated deficit	Revaluation reserve	Hedging reserves	Total
<b>Balance at December 31, 2003 (As restated)</b>	<b>30,299</b>	<b>478,508</b>	<b>(481,270)</b>	<b>1,220</b>	<b>(1,734)</b>	<b>27,023</b>
Released on maturity of Cashflow hedges	-	-	-	-	2,989	2,989
Released Minority Interest on maturity of Cashflow Hedges	-	-	-	-	(1,255)	(1,255)
Released on disposal of Equity Fund Investment	-	-	-	(1,220)	-	(1,220)
Change in scope of consolidation	-	(174,260)	174,260	-	-	-
Profit for the year	-	-	57,389	-	-	57,389
	<u>30,299</u>	<u>304,248</u>	<u>(249,621)</u>	<u>-</u>	<u>-</u>	<u>84,926</u>
<b>Balance at December 31, 2004</b>	<b>30,299</b>	<b>304,248</b>	<b>(249,621)</b>	<b>-</b>	<b>-</b>	<b>84,926</b>
Profit for the period	-	-	13,583	-	-	13,583
	<u>-</u>	<u>-</u>	<u>13,583</u>	<u>-</u>	<u>-</u>	<u>13,583</u>
<b>Balance at December 31, 2005</b>	<b>30,299</b>	<b>304,248</b>	<b>(236,038)</b>	<b>-</b>	<b>-</b>	<b>98,509</b>
	<u><u>30,299</u></u>	<u><u>304,248</u></u>	<u><u>(236,038)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>98,509</u></u>

**Consolidated statement of cash flow**  
**for the twelve months ended December 31, 2005**  
*expressed in thousands of US Dollars*

	Reviewed Twelve months ended December 31, 2005	Unaudited Six months ended June 30, 2005	Audited Year ended December 31, 2004
<b>Cash flow from operating activities</b>			
Cash received from customers	-	-	425,201
Cash paid to suppliers and employees	(995)	(543)	(325,967)
<i>Cash generated / (utilized) by operations</i>	<u>(995)</u>	<u>(543)</u>	<u>99,234</u>
Interest received	61	27	30
Interest paid	(2)	(2)	(1,020)
Income tax paid	(60)	(32)	(121)
<i>Net cash generated / (utilized) by operating activities</i>	<u>(996)</u>	<u>(550)</u>	<u>98,123</u>
<b>Cash flow from investing activities</b>			
Proceeds from sale of short term investment	-	-	981
Proceeds from partial disposal of investment in subsidiary	5,220	-	2,320
Purchase of tangible fixed assets	-	-	(46,060)
<i>Cash absorbed by investing activities</i>	<u>5,220</u>	<u>-</u>	<u>(42,759)</u>
<b>Cash flow from financing activities</b>			
Lease financing received	-	-	-
Lease financing paid	-	-	(3,526)
<i>Cash absorbed by financing activities</i>	<u>-</u>	<u>-</u>	<u>(3,526)</u>
<b>Change in scope of consolidation</b>	-	-	(26,326)
<b>Net (decrease) / increase in cash</b>	4,224	(550)	25,512
Net cash / (debt) at the beginning of the year	3,120	3,120	(22,392)
<b>Net cash at the end of the year</b>	<u>7,344</u>	<u>2,570</u>	<u>3,120</u>
Cash deposits and cash at bank	7,344	2,570	3,120
Short term loans and bank overdraft - unsecured	-	-	-
<b>Net cash at the end of the year</b>	<u>7,344</u>	<u>2,570</u>	<u>3,120</u>

**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.

The consolidated balance sheet of Zambia Copper Investments Limited and its subsidiaries (the "Group") for the period ended 31 December 2005 and the related consolidated statements of income, cash flow and changes in shareholders' equity for the period then ended, have been reviewed by KPMG Audit S.à r.l., Luxembourg, in accordance with the International Standard on Review Engagements (ISRE) 2400, applicable to review engagements. These consolidated interim financial statements are the responsibility of the Board of Directors. The Group reduced its shareholding in Konkola Copper Mines Plc. from 58% to 28.4% in 2004. The financial information on this associated company has not been subject to a review by an external auditor as at 31 December 2005. As the investment in this associated company represents the main asset of the Group, KPMG are not in a position to complete their review. Due to the significance of the matters described above, KPMG Audit S.à r.l., Luxembourg, do not express any opinion on the accompanying consolidated interim financial statements. The review report is available for inspection at the registered office of the Company.

## **CHAIRMAN'S STATEMENT**

As shareholders will be aware, the Company at its last Annual General Meeting in September 2005, resolved to change the Company's financial year end from 31 December to 31 March in order to bring the Company in line with the financial reporting period of Konkola Copper Mines plc ("KCM") and primarily with the object of avoiding previous delays associated with the timeous production of financial results. Accordingly, in terms of the relevant stock exchange regulations, the Company is required to produce reviewed interim results for the period ending 31 December 2005, which accompany this report.

The six months since the end of June 2005 have been a busy period, with the notable development having been the exercise by Vedanta Resources plc ("Vedanta") of its call option in terms of the Vedanta Call Option Deed ("the Deed") over the remaining 28.4% of Konkola Copper Mines plc ("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 on page 6 of the 2004 ZCI annual report. In short, should the parties not be able to agree the price of the call option, an Independent Bank ("the Bank") would be appointed to perform a valuation. In the event that Vedanta is unwilling to pay the option exercise price as determined by the Bank, it shall not be required to proceed with the associated purchase of ZCI's KCM shares. In terms of the provisions of the Deed, ZCI shall be bound to accept the valuation made by the Bank.

I wish to inform shareholders that the advisers of both the Company and Vedanta are still in the process of agreeing the terms of reference to be submitted to the Independent Bank for the purposes of settling the letter of engagement and enabling the Independent Bank to progress with the valuation. The parties are of the view that the appointment of the bank is likely to be finalised shortly, after which further announcements will be made. ZCI shareholders are advised to exercise caution when dealing in ZCI's securities until detailed announcements are made.

The period was also marked by the sad passing of the previous Chairman, Jean-Pierre Rozan. This unfortunate event necessitated certain changes to the Company's board and in January 2006, Michel Clerc, Chairman of AMZCI, the association of minority shareholders in France, was elected to the Board. In February 2006, I was elected to assume the position of Chairman of the Company.

Turning to the results themselves, shareholders will note that the Company's investment in KCM remains profitable, returning a net profit of USD 13,6 million for the 12 months ending 31 December 2005. Although copper prices remain

high, the board of ZCI maintain their concern that production levels at KCM still appear to be disappointingly low and that accordingly, KCM has not been able to maximise its profitability by taking advantage of the currently favourable copper market. In addition, mention should be made of the fact that substantial hedging reserves reflected at the KCM level in the six months to 31 December 2005, have impacted on the bottom line profit figure of ZCI.

Shareholders will note that KPMG Audit S.à r.l., Luxembourg, were engaged to review the accompanying consolidated balance sheet and the related consolidated statements of income, cash flow and changes in shareholders' equity of ZCI and its subsidiaries ("the Group") as at 31 December 2005. The Group reduced its shareholding in KCM from 58% to 28.4% in 2004. The investment in this associated company represents the main asset of the Group. The financial information from KCM has not been subject to a review by an external auditor in Zambia as at 31 December 2005. As a result of the lack of an external review of the financial information received from KCM, ZCI's auditors have been unable to complete their review and have not expressed any opinion on the consolidated interim financial statements.

It is clear that the Company is working through a watershed period that has the potential to define and revise its future operations and business model. The Board of ZCI recognises the significance of the process that the Company is currently faced with and the gravity of the potential outcomes. I wish to assure shareholders that appropriate resources have been and will continue to be deployed to ensure that shareholders' interests remain paramount and are protected when determining the future course for the Company.

**Thomas Kamwendo**  
*Chairman*

Bermuda  
31 March 2006