ZCI Limited

Consolidated Interim Financial Statements

For the period ended 30 September 2013

ZCI LIMITED

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

ZCI Limited

(Registered in Bermuda)
(South African registration number 1970/000023/10)
JSE share code: ZCI
ISIN: BMG9887P1068
Euronext share code: BMG9887P1068

("ZCI" or "the Company")

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT ON THE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

We are pleased to present the Group's condensed reviewed consolidated interim results for the six months ended 30 September 2013. Although the group realised an operating profit of US$6.922 million it nevertheless incurred an overall loss of US$36.527 million from activities for the six months to 30 September 2013, compared to an overall loss of US$4.339 million for the same period in the previous year, owing largely to an impairment charge of US$31.5 million recorded in the current period.

MINING ACTIVITIES

Copper produced in concentrate for this six month period increased by 10% compared to the same period last year. However, this increase would have been significantly greater if not for production problems during the second half of the period, causing a 12% overall reduction in the volume of processed ore. During the first three months of the period, sulphide ore constituted 92% of the total volume processed, and we recorded aggregate recoveries of 84%. However, we subsequently experienced a shortage of high grade sulphide ore from the Thakadu pit, directly attributable to the sub-optimal mining contractor performance in stripping the required amounts of hanging wall waste to expose high grade sulphide ore. Because of the shortfall, we processed a greater volume than anticipated of stockpiled Thakadu oxide ore and of mixed oxide/supergene ore from the Mowana open pit, resulting in lower recoveries than planned.

We continued to upgrade our processing facility during the period, installing a new primary crusher over a five day period at the start of July. During this period, the team took the opportunity to carry out extensive plant maintenance and clean up. However, the plant downtime required for this upgrade further reduced the volume of ore we were able to process during the period. Our throughput was also affected by mill stoppages in August and September to repair and replace the mill actuator and brush ring on the main mill motor.

Our key statistics for the period were as follows:

Description	Six Months ended 30 Sep 2013	Six Months ended 30 Sep 2012	Six Months ended 30 Sep 2011
Ore processed (Mt)	373,274	421,913	392,518
Cu grade (%)	1.81	1.86	1.80
Recovery (%)	73.0	57.3	49.2
Monthly throughput (Mt)	62,212	70,322	65,420
Copper produced in concentrate (Mt)	4,937	4,490	3,487

The average copper produced in concentrate for the period amounted to 823 tonnes per month, with the highest and lowest months' production yielding 1,408 tonnes and 508 tonnes respectively. As a result of production highs, the mass of copper produced in concentrate enabled the business to generate positive cash inflow from operating activities over the period of US$6.1 million compared to an outflow of US$3.3 million for the corresponding period.

The copper produced in concentrate for the six months of April until September 2013 was 556, 1,408, 1,111, 816, 508 and 538 tonnes respectively. As previously reported in the Company's 31 March 2013 annual financial statements, April's production figures were slightly disappointing and arose as a result of production issues around the performance of the mill which was subject to vibrations following a routine production halt for three days for mill re-lining. During the second quarter of the interim period the poor performance was directly attributable to the sub-optimal performance of the mining contractor in stripping the required amount of hanging wall waste to expose high grade blocks of sulphide ore as well as plant downtime which impacted the amount of ore processed following the installation of a new primary crusher in July and repairs to ball mill motor in August and September.

Subsequent to period end, the copper produced in concentrate for the period October 2013 to December 2013 was 632, 743 and 1,125 tonnes of copper respectively. During this period the production was impacted by the sub-optimal performance of the mining contractor but production increased in December 2013 with a high of 1,125 tonnes of copper produced for the period.

We are pleased to report continuing improvement in recoveries and in the total production of copper for the same six month period during each of the past three years. However the gains from these improvements have been reduced by the lower amount of ore processed as a consequence of the mining challenges already referred to.

With copper prices ranging between a low of US$ 3.01 per lb in June 2013 and a high of US$ 3.42 per lb in April 2013, the average weighted copper price achieved on sale of concentrate has been approximately US$ 3.23 per lb compared with a budgeted figure averaging approximately US$ 3.29 per lb. The combination of lower realized prices and lower than expected production levels due to the before mentioned shortfall were primary contributors to the underperformance of the operations compared to the Directors' original projections.

Unfortunately, events subsequent to the end of the period continued to affect our throughput into October and November, including further challenges with contractors, and an additional one week shutdown to replace further components and to carry out electrical work. Operations in December 2013 were much improved compared to October and November 2013.

The mine continues to perform at sub-optimal levels and we are still facing significant challenges within our mining activities, but we are confident that the focus during the past periods on raising production levels further towards capacity by improving plant efficiency and increasing throughput will lead to improved results, despite uncertainties disclosed in note 5 to the financial statements.

GEOLOGY AND EXPLORATION

Geological mapping, a geophysical survey and geochemical soil sampling were undertaken within the Nakalakwana area of the Matsitama Minerals exploration licences. Work was also carried out to identify additional resources within the current mining areas. Iron-oxide-copper-gold ('IOCG') mineralisation is the focus of our exploration activities in the Greater Nakalakwana area where we have nearly completed geochemical soil sampling and magnetic survey over a prominent 35 Km^2 gravity anomaly with no surface outcrop, adjacent to the promising zone of altered and mineralised rock units tested by drilling earlier in this financial year.

During the period we also performed near-mine exploration. Five geotechnical boreholes were drilled across the thicker part of the Mowana Mine resource and these will be incorporated in studies for the consideration of an underground mine. Near-mine exploration at Thakadu comprised trenching, limited drilling and geological modelling to determine the potential for additional resources. Shallow in-house drilling is on-going within the Makala resource block to determine the depth of oxidation and the opportunity for shallow sulphide ore which can be mined to complement the Thakadu mine open-pit resources.

Four key exploration licences, namely PL's 14/2004, 15/2004, 16/2004 and 17/2004 are due to expire on 30 September 2014. It is management's intent to renew these licences and accordingly exploration activities have been planned and the committed spending under the licences are budgeted and included in the group's cash projections for the upcoming period. We anticipate further encouraging results from our exploration project at Matsitama during the periods ahead and the Group is actively seeking to secure a joint venture partner to enhance exploration efforts of the Nakalakwana area.

FINANCIAL STATEMENTS AND OPERATIONS

During the period under review the Botswana Pula weakened approximately 4.4% against the US Dollar.

Revenues increased to US$29.7 million, an increase of 9.6% from our revenues of US$27.2 million for the corresponding period last year. The increase reflects greater copper in concentrate produced due to higher average recoveries during the period from a higher percentage of sulphide ore processed, but was also constrained by the production problems during the period described under the mining activities section.

Even though our revenue increased, our operating costs declined by 4.8% compared to the comparative period. This was despite an increase in mining costs, and was largely attributable to decreases in transport, processing and engineering costs:

- Mining costs increased as mining activities at Thakadu accelerated during the period in an effort to make good on previous shortfalls in mining and drilling activity. During the 2013 financial year mining at Thakadu performed below budgeted levels due to a change in mining contractor and to persistent equipment and efficiency problems with the drilling contractor. In addition, the Thakadu mine was redesigned in the 2013 financial year to include a new ramping system. The impact of the extra expenditure and the re-design of the pit resulted in the need for additional waste mining activities during the current six month period, together with the associated cost.

- Transport costs decreased during the current six month period due to a reduction in ore transported from the Thakadu pit to the Mowana processing facility. During July, August and September 2013, mining activities at Thakadu focused on waste stripping which reduced the amount of Thakadu ore transported to Mowana.

- Processing and engineering costs decreased during the current period due to the processing of a higher percentage of Thakadu sulphide ore which requires less expensive reagent chemicals than oxide ores processed in the comparative period. In addition, the benefits of past capital expenditures served to decrease maintenance and repair costs.

Administrative costs increased to $4.3 million from $3.8 million in the comparative period. The increase was primarily driven by greater salary costs, reflecting both strategic determinations related to retention and motivation, and externally-imposed factors.

Decreased ore and concentrate stock pile inventory quantities on hand, resulted in an overall decrease in inventory balances at 30 September 2013, compared to the same period last year.

There was an increase in the cash and cash equivalents on hand during the period. Capital investments of US$7.2 million (2012: US$3.3 million) relating primarily to mine development and infrastructure and US$0.5 million (2012: US$1.3 million) relating to expenditures on exploration properties were incurred. During the six months ended 30 September 2013 we had a financing inflow of US$2.6 million from our off-take partner MRI Trading AG, as a prepayment loan of copper in concentrate deliveries. Furthermore, during the current period the ABC Bank overdraft facility was paid off and the facility closed.

Trade payables for the period remained stable and the operation was able to settle its liabilities as they fell due.

During the period, we reassessed the recoverability of the carrying value of our property, plant and equipment and intangible assets. As a result of this assessment, we recognised an impairment loss of US$31.5 million, reflecting our best current estimate of the amount by which our mining assets' value in use exceeds their carrying value. The value in use represents the estimated present value of the future cash flows expected to be derived from the Thakadu and Mowana pits, discounted at a rate of 17% and factoring in sensitivities on the forecast copper price and operating costs.

A previously recognised deferred tax asset was derecognised as a result of the impact of the impairment loss, resulting in a deferred tax charge of US$2.2 million.

ZCI's agreement to continue to defer all principal and interest payments arising from its subsidiary's debt obligations to ZCI have been extended to 31 January 2015, subject to any impact from the review of the reassessment of the strategic direction of ZCI and the Group as described in the section dealing with risk management below. Furthermore, the related letter of financial support issued to ACU confirming that it is ZCI's policy to make sufficient financial resources available to the Group in order to allow the Group to continue to meet its liabilities as they fall due in the normal course of its operations remains in force, also subject to the reassessment of the strategic direction of ZCI and the Group.

As previously reported, ZCI provided notice of the termination of the Investment Advisory and Management Agreement (the "IAMA") between ZCI and iCapital (Mauritius) Limited during July 2011 which resulted in a dispute. We are pleased to report that a settlement for all of the claims against the agreement has been reached and was approved at a general meeting on 30 September 2013. Please refer to note 6 and 12 of the condensed consolidated interim financial statements for more detail.

CORPORATE GOVERNANCE DEVELOPMENTS

The most significant change at a ZCI board level since issuing the Integrated Annual Report for the year ended 31 March 2013 in June, has been the appointment of a new Chairman. With an effective date of 31 August 2013, Edgar Hamuwele resigned from the board of ZCI, and effective 26 September 2013 Professor Stephen Simukanga was appointed as Chairman of the company. On behalf of the Board of Directors we thank Mr Hamuwele for his contributions to the Company over his years of service.

All other members of the Board of Directors were re-elected at the annual general meeting of the Company held on 26 September 2013.

ZCI continues to be committed to the implementation of corporate governance principles which are in accordance with best practices and we continue to make advancements in our long term plan for the implementation of King III corporate governance principles as appropriate to the size, type and activity of ZCI. In line with the strategic objectives of ZCI, the Board will continue to ensure on-going compliance with regulatory requirements and improved corporate governance.

RISK MANAGEMENT AND OUTLOOK

We are able to report improvements during this six month period in all our key operating measures. This reflects our focus on raising production levels further towards capacity by improving plant efficiency and increasing throughput. However, on-going challenges in operations were still experienced during the period, and the mining activities remain subject to significant risks and uncertainties, as set out in notes 5, 8 and 9 to our consolidated interim financial statements, and as reflected in part in the US$31.5 million non-cash impairment loss recognised during the period.

Despite relative stability in copper pricing during recent months, the outlook for the global copper market remains uncertain and the globally challenging market conditions for junior mining companies persist. There has been curbed copper consumption in the European Union and emerging markets along with an increase in global mine and refined production capacity. This has resulted in the copper market moving into an oversupply situation and an increase in global copper stocks. Despite expected demand growth in China and other emerging economies, the expectation is that the global copper market will remain in surplus in the medium term which will lead to downward pressure on global copper prices for the remainder of the financial year.

A lack of diversity in the investment portfolio of ZCI remains one of the key risks faced by the Company. ZCI currently has one major investment being debt and equity held in ACU. The Board is continuing to work towards realising the full value of its investments, and will pursue all relevant opportunities to unlock value and put the Group in a position to build a more diversified investment portfolio providing sustainable growth for its shareholders. With this in mind, ZCI has embarked on a process to obtain commercial and legal assistance and advice with a view to the potential restructuring of the ZCI Group. Such restructure may include considerations of cost and fiscal effectiveness, strategy, risk, and broad commercial considerations. Determining the key initiatives and activities to achieve its goals will remain a key focus area in the coming months.

Proffesor Stephen Simukanga

Chairman

Tom Kamwendo

CEO

30 January 2014

Condensed Consolidated Interim Financial Statements
ZCI Limited

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2013

	Notes	**Reviewed Six months ended 30 September 2013 USD '000**	Reviewed Six months ended 30 September 2012 USD '000	Audited Twelve months ended 31 March 2013 USD '000
Revenue		**29,742**	27,152	60,464
Cost of sales		**(22,820)**	(22,440)	(45,414)
Gross profit from mining activities		**6,922**	4,712	15,050
Administrative expenses		**(4,299)**	(3,767)	(8,070)
Impairment	8,9	**(31,500)**	-	(2,025)
Other expenses	6	**(10,498)**	(3,609)	(5,945)
Foreign exchange gains/(losses)		**1,348**	(1,098)	616
Loss before net finance expense		**(38,027)**	(3,762)	(374)
Finance income		**14**	22	41
Finance expense		**(811)**	(829)	(2,040)
Loss before tax		**(38,824)**	(4,569)	(2,373)
Income tax		**2,297**	230	749
Loss for the period/year		**(36,527)**	(4,339)	(1,624)
Other comprehensive income:				
Exchange differences on translation of foreign operations		**(1,214)**	(926)	(4,638)
Total comprehensive income for the period/year		**(37,741)**	(5,265)	(6,262)
Loss attributable to:				
Equity holders of the parent		**(31,122)**	(2,919)	2,871
Non-controlling interest		**(5,405)**	(1,420)	(4,495)
Total comprehensive income attributable to:				
Equity holders of the parent		**(32,144)**	(3,699)	(1,033)
Non-controlling interest		**(5,597)**	(1,567)	(5,229)
Basic (loss)/ earnings per ordinary share (US cents)	7	**(55.90)**	(5.24)	5.16
Diluted (loss)/earnings per ordinary share (US cents)	7	**(60.14)**	(6.20)	1.63

Condensed Consolidated Statement of Financial Position
As at 30 September 2013

	Notes	**Reviewed 30 September 2013 USD'000**	Audited 31 March 2013 USD'000
ASSETS			
Property, plant and equipment	8	**32,018**	40,609
Intangible assets	9	**18,474**	39,844
Other financial assets		**261**	270
Total non-current assets		**50,753**	80,723
Inventories		**7,609**	8,891
Trade and other receivables		**4,810**	5,253
Cash and cash equivalents		**10,387**	9,197
Total current assets		**22,806**	23,341
TOTAL ASSETS		**73,559**	104,064
EQUITY			
Share capital		**102,688**	102,688
Foreign currency translation reserve		**(7,913)**	(6,891)
Equity settled share based payment reserve		**5,992**	-
Accumulated losses		**(41,910)**	(10,831)
Equity attributable to owners of the Company		**58,857**	84,966
Non-controlling interest		**(13,549)**	(7,952)
Total equity		**45,308**	77,014
LIABILITIES			
Interest bearing debt		**267**	712
Deferred tax		**-**	2,297
Environmental rehabilitation provision		**6,875**	6,766
Total non-current liabilities		**7,142**	9,775
Trade and other payables		**17,375**	16,073
Current portion of interest bearing debt		**3,734**	1,171
Bank overdraft		**-**	31
Total current liabilities		**21,109**	17,275
TOTAL EQUITY AND LIABILITIES		**73,559**	104,064

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 September 2013

	Share capital	Foreign currency translation reserve	Equity settled share based payment reserve	(Accumulated losses)	Attributable to equity holders of the parent	Non-controlling interest	Total Equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance as at 31 March 2012	102,688	(2,987)	-	(13,865)	85,836	(2,723)	83,113
Share option reserve	-	-	-	64	64	-	64
Loss for the period	-	-	-	(2,919)	(2,919)	(1,420)	(4,339)
Other comprehensive income			-				
- foreign currency translation differences	-	(779)	-	-	(779)	(147)	(926)
Total comprehensive income for the period	-	(779)	-	*(2,919)*	*(3,698)*	*(1,567)*	*(5,265)*
Balance as at 30 September 2012	102,688	(3,766)	-	(16,720)	82,202	(4,290)	77,912
Balance as at 31 March 2013	**102,688**	**(6,891)**	**-**	**(10,831)**	**84,966**	**(7,952)**	**77,014**
Share option reserve	-	-	-	43	43	-	43
Equity settled share based payment	-	-	5,992	-	5,992	-	5,992
Loss for the period	-	-	-	(31,122)	(31,122)	(5,405)	(36,527)
Other comprehensive income							
- foreign currency translation differences	-	(1,022)	-	-	(1,022)	(192)	(1,214)
Total comprehensive income for the period	-	*(1,022)*	-	*(31,122)*	*(32,144)*	*(5,597)*	*(37,741)*
Balance as at 30 September 2013	**102,688**	**(7,913)**	**5,992**	**(41,910)**	**58,857**	**(13,549)**	**45,308**

Condensed Consolidated Statement of Cash Flows

	Reviewed Six months ended 30 September 2013 USD'000	Reviewed Six months ended 30 September 2012 USD'000
Cash flow from operating activities		
Cash generated by/(utilised in) operations	**6,190**	(2,530)
Interest received	**14**	22
Interest paid	**(100)**	(829)
Cash inflow/(outflow) from operating activities	**6,104**	(3,337)
Cash flow from investing activities		
Additions to maintain operations:		
- Property, plant and equipment	**(7,235)**	(3,323)
Additions to expand operations:		
- Intangible assets	**(547)**	(1,255)
Proceeds from sale of assets	**24**	-
Cash outflow from investing activities	**(7,758)**	(4,578)
Cash flow from financing activities		
Repayment of interest bearing debt	**(511)**	(505)
Interest bearing debt raised	**2,629**	-
Cash inflow/(outflow) from financing activities	**2,118**	(505)
Effect of foreign currency translation on cash balances	**757**	865
Net increase/(decrease) in cash and cash equivalents	**1,221**	(7,555)
Cash and cash equivalents at the beginning of the period	**9,166**	15,137
Cash and cash equivalents at the end of the period	**10,387**	7,582

Notes to the Financial Statements

1. General information

ZCI (“the Company”) 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 Mowana Mine which consists of a 3,000 Mt per day copper processing facility and the copper producing Mowana open pit. The Group also owns the rights to the adjacent high grade copper-silver Thakadu open-pit and holds permits in exploration properties at the Matsitama Project. The Mowana Mine and processing infrastructure is located in the north-eastern part 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 of the Company as at and for the period ended 30 September 2013 comprise the Company and its subsidiaries (together referred to as the “Group”).
These condensed consolidated interim financial statements were approved for issue on 30 January 2014 by the board of directors.

2. Basis of preparation

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) *34 Interim Financial Reporting* and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

The condensed consolidated interim financial statements are presented in United States Dollars (“USD” or US$), which is the Company’s functional currency. All financial information presented in US$ 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 terms of International Financial Reporting Standards and are consistent with those applied for the year ended 31 March 2013, except for IFRIC 20 – Stripping costs in the Production Phase of a Surface Mine was applied effectively from 1 April 2013. On adoption there were no material prior period adjustments to be reported. The suite of consolidation standards – IFRS 10, IFRS 11 and IFRS 12 is also effective for the first time in this reporting period. Adoption of these standards however did not have any impact on the Group.

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 and mining of copper and other base metals in Botswana with the support provided from ACU 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. Going Concern

The Directors have considered the status of the current operations, the current funding position and the projected funding requirements of the business for twelve months from the date of approval of these condensed consolidated interim financial statements as detailed below.

There has been a significant increase in the Group's loss after tax from US$4.3 million for the six months ended 30 September 2012 to US$36.5 million owing predominantly to a US$31.5 million impairment of Property, Plant and Equipment and Intangible mining assets.

Cash flow forecast – key assumptions and uncertainties

The majority of the Group's activities occur at a subsidiary level. The cash flow projections have been done at both an ACU level as well as a Group level as the ability of ACU to continue as a going concern, directly impacts the Group.The cash flow projections, which have been drawn up on a monthly basis, are based on a number of inputs and assumptions which include mined tonnage, all associated mining and processing costs, extraction and yield rates for production of the copper concentrate and the price of copper. The Group's approved capital expenditure is also included in the cash flows.

The Thakadu pit will be depleted within the next 12 months and the Group's future cash generation beyond 2014 depends entirely on a successful and timely restart of mining operations at the Mowana pit and associated processing of the supergene ore. However, numerous significant challenges and risks exist in attaining this situation at Mowana and these challenges and risks are of a kind that have often impeded the Group's operations in the past. In particular, the Group over the years has experienced recurring problems with the quality of its mining contractors and other aspects of production, causing production levels to be significantly below planned levels.

In the opinion of the Directors, the key assumptions to which the projections are most sensitive are the tonnage of produced copper concentrate and the copper price. The tonnage of produced copper concentrate is itself a function of mining output and recovery achieved in the processing operations.

The following key assumptions (relevant for the 12 months to January 2015) were used to calculate the future cashflows:

- Average copper price per tonne — US$7,165
- Average monthly production — 1,210 tonnes
- Average monthly throughput — 85,367 tonnes
- Average grade — 1.55 %
- Mining costs — US$2.25 per tonne

The copper price per tonne is based on consensus analyst projections for the copper price.

The average monthly production is a 47% increase over average production for the period under review (fiscal 2014); however, the 2014 average is significantly impacted by the low production in August and September 2013 which was partly due to plant downtime due to the repairs of the ball mill motor. By way of illustration, the assumed production is a 24% increase over the average production for the fiscal year 2014 excluding the months of August and September 2013.

Considering completed plant improvements and throughput achievements during certain periods in the past, the projected throughput should be achievable if the ore is available as per the plan. In addition, management is currently actively pursuing a new mining strategy in order to realise the forecast average throughput of 85,367 tonnes and currently expects the new strategy to succeed. Should this strategy not be successful, the forecast average throughput could be negatively impacted.

Grade assumptions are based on resource model grades, which experience has shown to be reasonably predictive of actual grades mined, averaging 1.55 % over the 12 months to January 2015.

5. Going Concern - continued

Performance of the mining contractor and mining costs are areas of risk which the Group is actively monitoring and managing. The forecast average mining cost per tonne is a conservative estimate based on the recent past and in order to be prudent slightly higher than the actual mining cost per tonne achieved in the recent past. The mining cost forecast does not reflect the impact of the new mining strategy that management is pursuing as it has not been finalised yet. The Directors are confident that the mining costs will not vary significantly from what has been used in the forecast.

In addition to the above, ZCI has recently embarked on a process to obtain commercial and/or legal assistance and advice with a view to the potential restructuring of the ZCI Group. Such restructure may include delisting ZCI; delisting ACU; reducing the number of subsidiary entities in the ZCI Group; restructuring the debt and capital structure of the group; and may include other considerations of cost and fiscal effectiveness, strategy, risk and broad commercial considerations.

Projected funding requirements and current activities

The directors believe that the projections for the twelve months to January 2015 are achievable. The cash flow projections show that if the key operational and pricing assumptions are achieved, the Company and its subsidiaries will not require any additional funding for the next twelve months from the date of approval of these interim financial statements.

By way of illustrating other downside sensitivities in the projection of model, a combination of:

- shortfalls in the average copper price of up to 2.5 %
- increase in treatment charge and refining charge by 30%
- increase in mining cost by 7% would not result in an additional funding requirement (all other assumptions unchanged); and additionally
- shortfalls in production throughput of up to 7% would result in an additional funding requirement of up to US$3.956 million (all other assumptions unchanged)

In light of the sensitivities of the cash flow forecast, the Directors of ZCI issued a further letter of financial support to ACU, confirming that ZCI will continue to make sufficient financial resources available to allow ACU to meet its liabilities as they fall due in the course of normal operations, subject to no material changes in the shareholding or debt structure of ACU resulting from the review of the reassessment of the strategic direction of ZCI and the Group. To ensure that ZCI has the ability to provide such support based on existing and any additional funding requirements, the Company obtained an extension of the letter of financial support from its controlling shareholder, to the value of US$5 million.

These projections are furthermore subject to ZCI continuing to defer all principal and interest payments arising from ACU's debt obligations to ZCI for the next twelve months.

Conclusion

After taking account of the Company and Group's funding position and its cash flow projections, and having considered the risks and uncertainties described above, the Directors have concluded that the Company and Group have adequate resources to operate for at least the next 12 months from the date of approval of these financial statements. For these reasons, the Directors continue to prepare the financial statements on the going concern basis.

5. Going Concern - continued

However, the combination of the uncertainties surrounding the successful and timely restart of mining operations at the Mowana pit and the associated processing of supergene ore, the exposure to copper pricing, the risk of an increase in mining costs, the contemplated restructuring of the group, and the availability of funding as may be necessary, collectively represent a material uncertainty casting significant doubt on the ability of the Company and its subsidiaries to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

6. Other expenses

Included in other expenses for the interim period ended is an advisory fee of US$2 million paid to iCapital (Mauritius) Limited ("iCapital") as well as a share based payment expense of US$5.992 million recognised as an equity settled share based payment transaction in terms of IFRS 2 Share Based Payments. These expenses have been incurred due to the settlement reached with iCapital as described in note 12 to the interim financial statements.

In terms of the equity settled share based payment, the fair value of the services received cannot be estimated reliably due the complexities and uncertainty around the calculation of the performance fees detailed in the Investment Advisory and Management Agreement ("IAMA") that was entered into between ZCI and iCapital and subsequently terminated leading to certain terms being disputed (refer note 12). The fair value of the services rendered was calculated by reference to the fair value of the equity instruments granted, measured at the grant date. The grant date of the transaction was the date approval of the settlement terms was received from the shareholders, which was 30 September 2013.The fair value of the equity instruments granted was calculated based on the amount of shares transferred calculated as 247 575 741 ACU Shares at the quoted share price of ACU Shares on the London Stock Exchange of GBP1.5 on the grant date and converted to US Dollars based on an exchange rate of US$1.6136 for each GBP1.00 on the same date.

Notes to the Financial Statements

7. Earnings per share

	Reviewed Six months ended 30 September 2013	Reviewed Six months ended 30 September 2012	Audited Twelve months ended 31 March 2013
Basic (loss)/earnings per ordinary share (US cents)	**(55.90)**	(5.24)	5.16
Diluted (loss)/earnings per ordinary share (US cents)	**(60.14)**	(6.20)	1.63
Headline (loss)/earnings per ordinary share (US cents)	**(15.98)**	(5.24)	7.42
Diluted headline (loss)/earnings per ordinary share (US cents)	**(20.22)**	(6.20)	3.89
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)/profit attributable to ordinary shareholders were taken into account in the calculation of diluted loss, headline loss and diluted headline loss per share:			
(Loss)/profit attributable to equity holders of the parent	**(31,122)**	(2,919)	2,871
Increase in shareholding in subsidiary with respect to convertible portion of debt	**(2,360)**	(532)	(1,962)
Diluted (loss)/profit attributable to equity holders of the parent	**(33,482)**	(3,451)	909
The following adjustments to loss attributable to ordinary shareholders were taken into account in the calculation of headline and diluted headline loss per share:			
(Loss)/profit attributable to equity holders of the parent	**(31,122)**	(2,919)	2,871
Impairment loss	**31,500**	-	2,025
Deferred tax on impairment loss	**(4,497)**	-	(446)
Non-controlling interest in impairment loss	**(4,980)**	-	(320)
Disposal loss	**320**	-	-
Deferred tax on disposal loss	**(70)**	-	-
Non-controlling interest in disposal loss	**(51)**	-	-
Headline (loss)/profit attributable to equity holders of the parent	**(8,900)**	(2,919)	4,130
Increase in shareholding in subsidiary with respect to convertible portion of debt	**(2,360)**	(532)	(1,962)
Diluted headline (loss)/profit attributable to equity holders of the parent	**(11,260)**	(3,451)	2,168

Notes to the Financial Statements

8. Property, plant and equipment

30 September 2013	Mine development and infrastructure USD'000	Mine plant and equipment USD'000	Other assets USD'000	Total USD'000
Cost				
Balance at 1 April 2013	29,550	27,096	3,805	60,451
Additions	7,858	87	186	8,131
Disposals	-	(443)	(1)	(444)
Reclassifications/Transfers	(557)	502	55	-
Exchange adjustments	(967)	(871)	(123)	(1,961)
Balance at 30 September 2013	**35,884**	**26,371**	**3,922**	**66,177**
Depreciation and impairment losses				
Balance at 1 April 2013	(14,351)	(4,242)	(1,249)	(19,842)
Depreciation charge for the period	(3,178)	(614)	(194)	(3,986)
Disposals	-	81	1	82
Impairment	(11,053)	-	(7)	(11,060)
Exchange adjustments	468	138	41	647
Balance at 30 September 2013	**(28,114)**	**(4,637)**	**(1,408)**	**(34,159)**
Carrying value				
Balance at 1 April 2013	15,199	22,854	2,556	40,609
Balance at 30 September 2013	**7,770**	**21,734**	**2,514**	**32,018**
31 March 2013				
Cost				
Balance at 1 April 2012	30,604	28,536	4,041	63,181
Additions	5,014	514	544	6,072
Disposals	-	(86)	(241)	(327)
Reclassifications/Transfers	(1,948)	1,948	-	-
Exchange adjustments	(4,120)	(3,816)	(539)	(8,475)
Balance at 31 March 2013	**29,550**	**27,096**	**3,805**	**60,451**
Depreciation and impairment losses				
Balance at 1 April 2012	(17,210)	(3,483)	(1,240)	(21,933)
Depreciation charge for the year	(1,058)	(1,294)	(387)	(2,739)
Disposals	-	17	208	225
Transfer	1,640	-	-	1,640
Exchange adjustments	2,277	518	170	2,965
Balance at 30 September 2013	**(14,351)**	**(4,242)**	**(1,249)**	**(19,842)**
Carrying value				
Balance at 1 April 2013	13,394	25,053	2,801	41,248
Balance at 31 March 2013	**15,199**	**22,854**	**2,556**	**40,609**

8. Property, plant and equipment - continued

Impairment review

During the period, the Group reassessed the recoverability of the carrying value of its property plant and equipment as well as intangible assets where mining is currently taking place, refer to note 9 (this is considered to be one cash generating unit), following continuing operating challenges and its on-going reconsideration of the strategic direction of its mining assets (refer to note 5).

The Group performed an impairment test on the above mentioned cash generating unit. Key assumptions include the following:

- A revised 5 year and 9 months mine plan based on processing 4.8 million tonnes of the Mowana mine's proven and probable reserves and 950 million tonnes of the Thakadu Pit's probable reserves
- Discount rate of 17%
- Average production through-put levels of 85,367 tonnes per month
- Copper sales prices forecasted at price of US$3.25 per lb until January 2016, adjusted by a 2.5% downside sensitivity factor, and thereafter with an average copper price over the life of mine from January 2016 of approximately US$3.15 per lb, adjusted by a 2.5% downside sensitivity factor.
- Grade assumptions based on the Mowana and Thakadu resource model grades, which experience has shown to be reasonably predictive of the actual grades mined, averaging 1.49% and 1.59% respectively
- Recovery rates based on historical independent metallurgy and plant test-work
- Operating costs based on historical costs and approved budget costs, plus a 7% sensitivity factor increase in mining cost
- Capital costs based on historical costs and approved budget costs

As required by IAS 36, no benefit has been recognised 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 and nine month mine plan.

The value-in-use represents the estimated present value of the future cash flows expected to be derived from the asset, discounted at a rate of 17%. The outcome of the value-in-use calculation, resulted in an impairment loss of US$31.5 million (US$11.06 million relating to property, plant and equipment and US$20.44 million relating to intangible assets), which has been recognised as an impairment loss in the condensed consolidated statement of comprehensive income. The calculation of the recoverable amount remains highly sensitive to changes in the key assumptions used in the cash flow projections, which in turn depend in large part on the resolution of the major strategic uncertainties described above and in note 5 to the these financial statements. In the Group’s current circumstances the value in use calculation has a significant risk of resulting in further impairment losses within in the next financial year.

9. Intangible assets

2014	Exploration and Evaluation assets (a) USD'000	Mine development and Infrastructure (b) USD'000	Total USD'000
Cost			
Balance at 1 April 2012	16,026	44,438	60,464
Additions	1,302	1,101	2,403
Effect of translation	(68)	(58)	(126)
Balance at 31 March 2013	17,260	45,481	62,741
Additions	501	46	547
Effect of translation	(1)	-	(1)
Balance as at 30 September 2013	**17,760**	**45,527**	**63,287**
Accumulated amortisation and impairment losses			
Balance at 1 April 2012	-	(16,001)	(16,001)
Amortisation	-	(3,317)	(3,317)
Impairment	(2,025)	-	(2,025)
Transfer	-	(1,640)	(1,640)
Effect of translation	-	86	86
Balance at 31 March 2013	(2,025)	(20,872)	(22,897)
Amortisation	-	(1,476)	(1,476)
Impairment	-	(20,440)	(20,440)
Effect of translation	-	-	-
Balance at 30 September 2013	(2,025)	(42,788)	(44,813)
Carrying value			
Balance at 31 March 2013	15,235	24,609	39,844
Balance at 30 September 2013	**15,735**	**2,739**	**18,474**

(a) Comprise licence numbers PL33/2005, PL180/2008, PL14/2004, PL15/2004, PL16/2004, PL17/2004 and PL60/2011

(b) Comprise licence numbers ML2006/53L and PL1/2005

For purposes of impairment testing, the Directors consider each of the Group's exploration and development assets on a project-by-project basis. Currently there are two projects that are separately identifiable cash generating units:

- 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 (Mowana underground resources)
- Exploration expenditures on the Matsitama tenements.

Licence numbers PL14/2004, PL15/2004, PL16/2004 and PL17/2004 are due to expire on 30 September 2014. Application for renewal of the licences will be submitted in due course and accordingly exploration activities have been planned and the committed spending under the licences are budgeted and included in the group's cash projections for the upcoming period.

9. Intangible assets - continued

As at 31 March 2013 licence numbers PL33/2005 and PL80/2008 situated within the Mowana tenements with a cost of US$ 2 million were impaired as a result of being post expiry date, combined with the fact that committed expenditure relating to these two licences has not been incurred and the lack of confirmation of renewal thereof. It is the Directors intention to retain the licences and applications for renewal have been submitted. As at the date of this review, the situation remains largely unchanged and hence there are no indications that the impairment should be reversed.

Subsequent to period end, licence number PL060/2011 situated in the Matsitama tenements expired. It is the Directors intention to retain this licence and application for renewal will be submitted. The carrying amount of the intangible asset recognised in relation to this licence as at 30 September 2013 is not material.

No further impairment indicators were identified in relation to any of the other licences. It is currently the intention of the Group to renew all its licences as they become due for expiry in future periods and accordingly exploration activities have been planned and the committed spending under the licences are included in the group's cash projections.

Mine development and infrastructure includes pre-operating cost, mining rights and exploration expenditures related to Mowana and Thakadu open pits. These are considered as part of the mining operations for purposes of impairment testing. For details, assumptions used and outcome, refer to note 8 for detail on the impairment loss recognised on this category.

The amortisation of intangible assets is included as part of other expenses in the Statement of Comprehensive Income.

The table below shows a summary of the mining and exploration licences and which intangible assets they relate to:

	Mining / exploration licences	**Expiry Dates**
Mowana Mining rights	ML 2006/53L	19 December 2031
Thakadu Mining right	ML 2010/96L and PL1/2005	7 December 2017
Mowana resources	PL33/2005 and PL180/2008	30 June 2012 and 31 March 2011[(a)]
Matsitama projects	PL14/2004-17/2004 and PL060/2011	30 September 2014 and 31 December 2013

a) Application for prospecting license renewals have been made as required. As at the date of these condensed consolidated financial statements the renewal process is yet to be concluded. These licenses have been impaired to nil (refer note above).

10. Mineral Resources and Mineral Reserves

Since the previous financial year no material changes to the Mineral Resources and Ore Reserves disclosed in the ZCI Integrated report for the year ended 31 March 2013 are expected other than depletion, due to continued mining activities.

11. Contractual commitments

11.1 Contractual Obligations	**Total**	**2013** [d]	**2014** [d]	**2015** [d]	**2016** [d]
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Goods, services and equipment [a]	2,773	2,773	-	-	-
Exploration licences [b]	2,428	1,462	966	-	-
Lease agreements [c]	105	21	51	10	23
	5,306	4,256	1,017	10	23

a) The Group has a number of agreements with third parties who provide a wide range of goods and services and equipment. This includes commitments for capital expenditure.
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.
d) The period refers to the calendar year ended.

12. iCapital Settlement

As disclosed in the 31 March 2013 and 2012 annual reports and interim financial statements for the period ended 30 September 2012, the Company previously entered into an Investment Advisory and Management Agreement with iCapital (Mauritius) Ltd ("iCapital). The contract was terminated with effect from 1 January 2012 and a dispute arose between the Company and iCapital with regards to the interpretation of certain clauses of the IAMA in relation to fixed fees and performance fees.

During the 2013 financial year an Advance Payment Deed was executed by the parties in relation to the Fixed Fee claims under the IAMA resulting in a payment of US$1 million by the Company to iCapital.

During the six months ended 30 September 2013 the Company and iCapital reached a full and final settlement agreement. The salient terms of the settlement in respect of the performance fees were disclosed in the Company's 31 March 2013 annual report and contemplated a payment of US$2 million in relation to the performance fee for the period from 1 January 2009 to 31 March 2011 in terms of the IAMA; and in relation to the performance fee for the period from 1 April 2011 to the date of termination of the contract, iCapital is compensated by a transfer of 18.5% of the ACU shares held by the Company after the conversion of the convertible Tranche A loan issued by ZCI to ACU into 556,307,263 shares in ACU. The settlement and payment of US$2 million in relation to the initial performance fee was completed during the current period under review.

Given that iCapital is a related party (Mr. J Soko, a director of ACU, is also a director of iCapital) the terms of the settlement which was a variation of the original terms of the IAMA (namely the compensation by a transfer of ACU shares) was subject to a fair and reasonableness opinion as per the Listing Requirements of the Johannesburg Stock Exchange ("JSE") and was conditional upon the approval of ZCI's shareholders. During the interim period ended a fair and reasonableness opinion was obtained from an independent expert and the shareholders of the Company approved the terms of the settlement on 30 September 2013. Subsequent to the end of the reporting period, the convertible Tranche A loan was converted into 556,307,263 shares in ACU and 18.5 % of the ACU shares held by the Company after the before mentioned conversion have been transferred to iCapital.

During the period ended 30 September 2013 an equity share based payment transaction was recognised in terms of IFRS 2 Share based payments in relation to the shares transferred and an expense recognised in the Statement of Comprehensive Income to the amount of US$5.992 million, included in other expenses (refer note 6).

Notes to the Financial Statements

13. 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, other than disclosed in note 12.

14. Dividends

No dividends were declared for the period under review.

15. Events after the reporting period

No event, material to the understanding of these financial statements, has occurred between the reporting date and the date of approval of the financial statements except for the conversion of the convertible Tranche A loan issued by ZCI to ACU into shares in ACU and the transfer of ACU shares held by ZCI to iCapital in settlement for performance fee claims as described in note 12.

16. Review opinion

The condensed consolidated interim financial statements of ZCI Limited for the period ended 30 September 2013 have been reviewed by our auditors, KPMG Inc., who expressed an unmodified review conclusion. The auditor's report contained the following Emphasis of Matter paragraph: "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 2013 of US$36.527 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."

A copy of 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, together with the financial statements identified in the auditor's report.

Company secretary

John Kleynhans

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ZCI Limited

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