ZCI Limited

Provisional Condensed Consolidated Financial Statements

for the year ended 31 March 2012

ZCI Limited

Provisional condensed consolidated statement of comprehensive income

For the year ended 31 March 2012

	Note	*Reviewed*	*Audited*
		2012	2011
		USD'000	USD'000
Revenue		**42,772**	24,731
Cost of sales		**(46,133)**	(22,663)
Gross (loss)/profit from mining activities		**(3,361)**	2,068
Administrative expenses		**(7,926)**	(5,150)
Other expenses	*6*	**(31,116)**	(2,726)
Foreign exchange gains		**4,093**	63
Loss before net finance (expense)/income		**(38,310)**	(5,745)
Finance income		**725**	1,384
Finance expense		**(2,352)**	(1,118)
Loss before tax		**(39,937)**	(5,479)
Income tax		**4,141**	(657)
Loss for the year		**(35,796)**	(6,136)
Other comprehensive (loss)/income:			
Exchange differences on translation of foreign operations		**(7,944)**	7,006
Total comprehensive (loss)/income for the year		**(43,740)**	870
Loss attributable to:			
Equity holders of the parent		**(29,068)**	(4,718)
Non-controlling interest		**(6,728)**	(1,418)
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		**(35,756)**	1,181
Non-controlling interest		**(7,984)**	(311)
Basic loss per ordinary share (US cents)	*7*	**(52.21)**	(8.47)
Diluted loss per ordinary share (US cents)	*7*	**(56.73)**	(9.31)

ZCI Limited

Provisional condensed consolidated statement of financial position

For the year ended 31 March 2012

	Note	***Reviewed*** **2012 USD'000**	*Audited* 2011 USD'000
ASSETS			
Property, plant and equipment		**41,248**	47,966
Intangible assets		**44,463**	51,425
Long term receivable		**-**	4,000
Other financial assets		**423**	345
Total non-current assets		**86,134**	103,736
Inventories		**8,792**	10,483
Trade and other receivables		**4,132**	3,847
Current portion of long term receivable		**-**	6,048
Cash and cash equivalents		**18,441**	26,417
Total current assets		**31,365**	46,795
Total assets		**117,499**	150,531
EQUITY			
Share capital		**102,688**	102,688
Foreign currency translation reserve		**(2,987)**	3,701
(Accumulated loss)/ retained earnings		**(13,865)**	14,701
Equity attributable to equity holders of the parent		**85,836**	121,090
Non-controlling interest		**(2,723)**	5,260
Total equity		**83,113**	126,350
LIABILITIES			
Long term loan	*8*	**2,904**	-
Deferred tax		**3,046**	7,187
Environmental rehabilitation provision		**7,065**	7,150
Total non-current liabilities		**13,015**	14,337
Trade and other payables		**18,067**	9,844
Bank overdraft		**3,304**	-
Total current liabilities		**21,371**	9,844
Total equity and liabilities		**117,499**	150,531

ZCI Limited

Provisional condensed consolidated statement of changes in equity

For the year ended 31 March 2012

	Share capital	Foreign currency translation reserve	Retained earnings/ (Accumulated loss)	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance as at 31 March 2010 *(Audited)*	**102,688**	**(2,145)**	**18,651**	**119,194**	**6,286**	**125,480**
Transactions with owners recorded directly in equity						
Acquisition of additional interest in subsidiary	-	(53)	768	715	(715)	**-**
Loss for the year	-	-	(4,718)	(4,718)	(1,418)	**(6,136)**
Other comprehensive income						
- foreign currency translation differences	-	5,899	-	5,899	1,107	**7,006**
Total comprehensive income for the year	**-**	**5,899**	**(4,718)**	**1,181**	**(311)**	**870**
Balance as at 31 March 2011 *(Audited)*	**102,688**	**3,701**	**14,701**	**121,090**	**5,260**	**126,350**
Transactions with owners recorded directly in equity						
Share option reserve	-	-	502	502	-	**502**
Loss for the year	-	-	(29,068)	(29,068)	(6,728)	**(35,796)**
Other comprehensive loss						
- foreign currency translation differences	-	(6,688)	-	(6,688)	(1,256)	**(7,944)**
Total comprehensive loss for the year	-	**(6.688)**	**(29,068)**	**(35 756)**	**(7,984)**	**(43,740)**
Balance as at 31 March 2012 *(Reviewed)*	**102,688**	**(2,987)**	**(13,865)**	**85,836**	**(2,723)**	**83,113**

ZCI Limited

Provisional condensed consolidated statement of cash flows

For the year ended 31 March 2012

	Reviewed **2012** **USD'000**	*Audited* 2011 USD'000
Cash flows from operating activities		
Cash utilised by operations	**(1,091)**	(11,811)
Interest received	**679**	1,337
Interest paid	**(906)**	(1,118)
Cash outflows from operating activities	**(1,318)**	(11,592)
Cash flows from investing activities		
Additions to maintain operations		
- Property, plant and equipment	**(16,862)**	(958)
Additions to expand operations		
- Property, plant and equipment	**-**	(4,822)
- Intangible assets	**(7,065)**	(1,448)
Proceeds from sale of assets	**429**	63
Repayment/(advance) of long term receivable	**10,048**	(4,000)
Cash outflows from investing activities	**(13,450)**	(11,165)
Cash flows from financing activities		
Drawdown on equipment facility	**2,904**	-
Cash inflows from financing activities	**2,904**	-
Effect of foreign currency translation	**583**	744
Net decrease in cash and cash equivalents	**(11 280)**	(22,013)
Cash and cash equivalents at the beginning of the year	**26,417**	48,430
Cash and cash equivalents at the end of the year	**15,137**	26,417

1. General information

ZCI Limited ("**ZCI**" or the "**Company**") is a public company incorporated and domiciled in Bermuda. It has a primary listing on the Johannesburg Stock Exchange ("JSE Limited") 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 (together referred to as 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 statements for the year ended 31 March 2012 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards, and for their presentation in accordance with the minimum content, including disclosures, prescribed by IAS 34 Interim Financial Reporting applied to year end reporting, and South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice (AC 500 Series)

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

3. Accounting policies

The accounting policies applied in the preparation of the provisional condensed consolidated 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 year, the following standards and interpretations relevant to the Group, none of which had a material impact on the Group's results, became effective:

- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after 1 July 2010.
- Improvements to IFRSs 2010 – Amendments to various standards with various effective dates.
- IAS 24 – *Related Party Disclosures (revised 2009)*, effective for annual periods beginning on or after 1 January 2011.

3. Accounting policies (Continued)

A number of new standards, amendments to standards and interpretations that could be relevant to the Group, are not yet effective for the year ended 31 March 2012, and have not been applied in preparing these provisional condensed consolidated financial statements:

- IFRS 7 amendment – *Disclosures – Transfers of Financial Assets*, effective for annual periods beginning on or after 1 July 2011.
- IFRS 9 – *Financial Instruments*, effective for annual periods beginning on or after 1 January 2015.
- IFRS 10 – *Consolidated Financial Statements*, effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 – *Disclosure of Interests in Other Entities*, effective for annual periods beginning on or after 1 January 2013.
- IFRS 13 – *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 2013.

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, which becomes mandatory for the Group's 2016 consolidated financial statements, could change the classification and measurement of financial instruments. 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.

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, the development of, and the mining of copper and other base metal deposits. All the Group's activities are related to the exploration for, development of, and the mining 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

For the year ended 31 March 2012, the consolidated financial statements show that the group incurred a loss for the year of US$35.8 million (2011: US$6.1 million).

The Company's principal subsidiary, ACU incurred a loss of US$42.6 million (2011 : US$9.0 million) with a total of 6,910 tonnes (2011: 3,841 tonnes) of copper in concentrate sold during the financial year. The average copper sold for the year amounted to 575 tonnes per month, with the highest and lowest months' production yielding 809 tonnes and 324 tonnes respectively. Despite some record production highs, the mass of copper produced in concentrate has not attained the levels needed to generate overall positive cash flows for the business yet.

The average price per tonne achieved during the financial year was US$8,505 (2011: US$8,347).

5. Going concern (continued)

Since the end of the year, copper produced in concentrate for April, May and June was 704, 270 and 635 tonnes of copper in concentrate respectively. May's production figures were particularly disappointing and arose as a result of mechanical failure in the processing plant and a resulting shutdown from 20 May until 5 June 2012.

The Directors have prepared cash flow projections covering at least the twelve month period from the date of approval of these provisional condensed consolidated financial statements. The 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 key assumptions to which the projections are most sensitive in the opinion of the Directors 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 projections show that, if the key operational and pricing assumptions are achieved, the existing loan facilities will be sufficient to provide the necessary funding for the Company and its subsidiaries for at least the next twelve months from the date of approval of these financial statements.

Although the 2011 projections prepared by the subsidiary were not achieved, the Directors believe that the projections for at least the twelve months to July 2013 are achievable, based on the forecast average throughput of 65,592 tonnes for this period being only 6.5% higher than the 61,576 average throughput achieved during the year ended 31 March 2012, the grade and recovery profile of the ore anticipated to be mined and processed, consensus analyst projections for the copper price and the cost factors used in the forecast.

The key assumptions relating to production and pricing assume an average copper price per tonne over the twelve month period to July 2013 of US$7,936 and average monthly production of copper in concentrate of 1,120 tonnes of copper in concentrate.

By way of illustration regarding downside sensitivities, a combination of:

- shortfalls in the average copper price of up to 10%;
- shortfalls in average recoveries of up to 10%; and
- a possible shutdown of operations for approximately 20 days in the event of a critical equipment failure

would result in an additional funding requirement of up to USD10 million (all other assumptions remaining unchanged).

In light of the above sensitivities, the Directors of ZCI issued a 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. Furthermore, to ensure that ZCI has the ability to provide such support based on existing and any additional funding requirements, subsequent to year end, the Company obtained a letter of financial support from another source, to the value of USD7 million.

During the current financial year, the process has been initiated to realise the Company's investment in ACU. Progress has been made in this regard but the process is not yet in an advanced state.

After taking account of the Company and Group's funding position, the letter of financial support obtained by the Company, its cash flow projections and having considered the risks and uncertainties associated with the projections, as well as the possible sale of ACU, the Directors are of the opinion that the Company and its subsidiaries have adequate resources to operate for at least the next twelve months from the date of approval of these provisional condensed consolidated financial statements. For these reasons, they continue to prepare the financial statements on the going concern basis.

5. Going concern (continued)

However, the unproven ability of ACU, to date, to achieve the ramp up in production to a sustainable level, generating positive cash flow, and the volatility of the copper price and the availability of such funding as may be necessary, together, represents a material uncertainty which may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern and therefore to continue realising their assets and discharging 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. Other expenses

The continued losses incurred by the mine, triggered the Group to perform impairment testing with respect to the carrying value of the property, plant and equipment as well as intangible assets relating to the operations where mining is currently taking place. The recoverable amount of these assets was calculated with reference to their value-in-use, using the life of mine financial model for the Mowana and Thakadu open-pit mines.

Key assumptions include the following:

- A 7.5 year mine plan based on processing 5 million tonnes of the Mowana mine's proven and probable reserves and 1.8 million tonnes of the Thakadu mine's probable reserves
- Discount rate of 17%
- Average production through-put levels of 60,000 tonnes per month to March 2013 with expanded average production levels of 75,000 tonnes thereafter
- Copper sales prices as forecasted by selected analyst estimates, with the average copper price over the life of mine of approximately US$3.39 per lb
- Grade assumptions based on Mowana and Thakadu resource models, which experience has shown to be predictive of the actual grades mined, averaging 1.53% and 2.09% respectively
- Recovery rates based on historical independent metallurgy and plant test-work
- Operating and capital costs based on historical costs and approved budget costs.

The outcome of the value-in-use calculation, resulted in an impairment loss of US$25.7 million (US$15 million relating to property, plant and equipment and US$10.7 million relating to intangible assets), which has been recognized as part of other expenses in the consolidated statement of comprehensive income.

7. Earnings per share information

	2012	2011
Basic loss per ordinary share (US cents)	**(52.21)**	(8.47)
Diluted loss per ordinary share (US cents)	**(56.73)**	(9.31)
Headline loss per ordinary share (US cents)	**(14.48)**	(8.47)
Diluted headline loss per ordinary share (US cents)	**(17.41)**	(9.31)
Number of ordinary shares in issue	**55,677,643**	55,677,643
Weighted average and diluted number of ordinary shares in issue	**55,677,643**	55,677,643

7. Earnings per share information (continued)

The following adjustments to loss attributable to ordinary shareholders were taken into account in the calculation of diluted loss, headline loss and diluted headline loss per share:

	USD'000	USD'000
Loss attributable to equity holders of the parent	**(29,068)**	(4,718)
Increase in shareholding in subsidiary with respect to convertible portion of debt	**(2,520)**	(464)
Diluted loss attributable to equity holders of the parent	**(31,588)**	(5,182)
Loss attributable to equity holders of the parent	**(29,068)**	(4,718)
Impairment loss	**25,741**	-
Deferred tax on impairment loss	**(2,363)**	-
Non-controlling interest	**(2,372)**	-
Headline loss attributable to equity holders of the parent	**(8,062)**	(4,718)
Increase in shareholding in subsidiary with respect to convertible portion of debt	**(1,632)**	(464)
Diluted headline loss attributable to equity holders of the parent	**(9,694)**	(5,182)

8. Long term loan

An equipment facility of US$3.1 million was obtained from Banc ABC, a Botswana based lending institution. The equipment facility is a 36 month US$ denominated facility that has a fixed interest rate of 9% per annum and is secured by the underlying assets. At 31 March 2012, US$2.9 million from this facility had been drawn. The Group is not in breach of any covenants relating to this facility.

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

10. Commitments

Contractual obligations	**Total**	**2012**	**2013**	**2014**	**2015 and thereafter**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Goods, services and equipment [(a)]	**6,514**	**6,514**	**-**	**-**	**-**
Exploration licences [(b)]	**13,183**	**5,111**	**8,072**	**-**	**-**
Lease agreements [(c)]	**402**	**281**	**106**	**12**	**3**
	20,099	**11,906**	**8,178**	**12**	**3**

10. Commitments (continued)

a) The Group has a number of agreements with arms-length third parties who provide a wide range of goods and services and equipment. This includes commitments for capital expenditure.

b) Under the terms of ACU's prospecting licences, Matsitama is obliged to incur certain minimum expenditures.

c) ACU has entered into agreements to lease premises for various periods.

The above expenditure will be funded internally.

As disclosed in the 31 March 2011 annual report and interim financial statements for the period ended 30 September 2011, the Company previously entered into an Investment Advisory and Management agreement with iCapital (Mauritius) Limited. The dispute with regards to the interpretation of certain clauses in the agreement are still ongoing. The contract was terminated with effect 1 January 2012.

11. Dividends

No dividends have been declared for the current financial year (2011 – Nil).

12. Events after the reporting date

Other than an additional US$6 million loan to ACU, the letters of support issued and received (as detailed in note 5) and the failure of the pinion shaft, all detailed in the Operational Review, no material events have occurred between the reporting date and the date of this announcement.

The process of realising value from the investment in ACU is still continuing, however at the reporting date the requirements of IFRS 5 *Non-current assets held for sale and discontinued operations* had not been met.

Operational review and other commentary

The Group significantly increased its production levels and revenues during the period under review. Production of copper in concentrate during 2012 was 67% higher than in 2011. The Group achieved record production levels in March 2012. Benefits were obtained from a more stable production environment, a higher grade and increases in average copper prices.

Recovery rates remained largely unchanged from the previous year and operating costs per tonne remained above budgeted levels. The Group expects recovery rates to improve significantly as we continue to develop the Thakadu deposit, with the relative percentage of oxide ore processed through our plant declining during the coming year and that of higher-recovery sulphide ore increasing.

Production during May 2012 was adversely affected by failures at the ball mill, resulting in a complete stoppage of production from 20 May to 5 June 2012 after a failure of the pinion shaft (an item for which a replacement had been ordered nearly a year earlier).

During the year under review, the Botswana Pula weakened from 6.28 to the US$ at the end the previous financial year to 6.99 at 31 March 2012. Exchange gains arose mainly as a result of receivables denominated in USD.

The higher than budgeted expenses together with low production, resulted in pressure on cash balances and corresponding increases in trade payables.

Additional loans totalling US$7,000,000 were provided to ACU in January and February 2012 in continuation of the Company's ongoing investment in the mining operations of the Group. These loans were granted predominantly on the same terms as previous loans. An additional convertible loan of US$6,000,000 was made after the end of the reporting period. The additional loan sought to provide additional working capital for the mining operations as well as target specific areas which were hampering efforts to boost production levels.

Corporate Governance Developments

The appointment of Tom Kamwendo as CEO of the Company was the major corporate governance development during the year. This appointment has already provided a strong focus for moving forward toward the Company's strategies and helped ensure that the interest and concerns of ZCI are well represented throughout the Group structure.

There have been several other changes to the board of directors during the reporting period. David Rodier and Steven Georgala did not seek re-election to the board at the Annual General Meeting of 28 September 2011. Thys du Toit resigned from the board of directors effective 31 March 2012. ZCI welcomed Professor Cyril O'Connor to the board on 15 June 2012. The board would again like to take the opportunity to thank the departing directors for their valuable contributions and we look forward to working with Professor O'Connor during his tenure on the board.

The board and its committees met regularly during the year to contribute toward the achievement of objectives and deal with the many strategic and risk management issues that have arisen during this period of change. Much work has been put into ensuring the Company is adequately addressing risk and considering issues of strategic importance.

Outlook

The Group expects to realise the benefits of the capital expenditure program through the remainder of the year and to experience greater operating stability, allowing the gradual increase of throughput and ramping up of production.

ZCI actively monitors variables in the copper market such as the copper price and world demand for copper and is acutely aware of the capacity of shifts in these variables to influence financial results and the ongoing viability of the Group's mining operations.

The engagement of Rand Merchant Bank Corporate Finance ("RMB") to realise value from the investment of ZCI in ACU will have significant implications for the strategic direction of ZCI and the Group. ZCI will seek to keep its stakeholders up to date with as much information as possible regarding this process as well as ensuring that the value to our shareholders is maximised by the process.

The appointment of RMB will help alleviate some of the risks being faced by ZCI and the Group. A lack of diversity in the investment portfolio of ZCI and the risks that this can present is one of the key drivers behind the appointment of RMB. Attaining full value from the Group mining operations will require further investment to support the rapid development of the resource to its maximum level.

Shareholders should be aware that these provisional condensed consolidated financial statements have been prepared on the basis of the information available to management at the time of publication.

Mineral resources and reserves

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

Review opinion

The provisional condensed consolidated financial statements of ZCI Limited for the year ended 31 March 2012 have been reviewed by our auditors, KPMG Inc. In their review report dated 31 July 2012, 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*, which applies to a review of provisional condensed consolidated financial information. They have expressed an unmodified conclusion with an emphasis of matter as follows: "Without qualifying our conclusion, we draw attention to the note 5, which indicates that the Group incurred a loss for the year ended 31 March 2012 of USD35.8 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.

On behalf of the board

E Hamuwele	**T Kamwendo**
Chairman	**CEO**
31 July 2012	

Directors – E Hamuwele (Chairman), T Kamwendo (CEO), K Bergkoetter (Finance Director), M Clerc, S Simukanga, C O'Connor

Company secretary
John Kleynhans

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