

Interim Report

ZAMBIA COPPER INVESTMENTS LIMITED(Registered in Bermuda)
(‘ZCI’ or ‘the Company’)**CONSOLIDATED STATEMENT OF EARNINGS**
for the six months ended June 30, 2002

	Unaudited Six months ended June 30, 2002	Unaudited Six months ended June 30, 2001	Audited Year ended December 31, 2001
in thousands of US dollars			
Turnover	207,658	194,929	370,689
Operating costs	(219,267)	(236,054)	(454,137)
Operating loss before interest and taxation	(11,609)	(41,125)	(83,448)
Interest and other financial income	604	2,041	6,300
Interest expense	(14,636)	(12,423)	(21,916)
Commitment fee on loan facility	(102)	(1,000)	(1,680)
General and administration expenses	(605)	(863)	(1,638)
Impairment of mining and intangible assets	(248,634)	–	–
Loss before tax	(274,982)	(53,370)	(102,382)
Taxation	(8)	(3,867)	(3,883)
Loss after taxation	(274,990)	(57,237)	(106,265)
Loss attributable to minority interests	–	19,022	20,296
Net loss	(274,990)	(38,215)	(85,969)
per ordinary share in US cents			
Headline loss before exceptional item and amortisation of goodwill	(21.50)	(30.95)	(69.68)
Exceptional item – impairment of mining and intangible assets	(202.87)	–	–
Amortisation of goodwill	–	(0.23)	(0.46)
Net loss	(224.37)	(31.18)	(70.14)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the six months ended June 30, 2002

	Unaudited Six months ended June 30, 2002	Unaudited Six months ended June 30, 2001	Audited Year ended December 31, 2001
in thousands of US dollars			
Accumulated deficit at beginning of the period	(107,762)	(21,793)	(21,793)
Net loss	(274,990)	(38,215)	(85,969)
Accumulated deficit at end of the period	(382,752)	(60,008)	(107,762)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30, 2002

	Unaudited June 30, 2002	Unaudited June 30, 2001	Audited December 31, 2001
in thousands of US dollars			
Fixed assets			
Intangible assets	–	5,959	8,265
Tangible fixed assets	39,343	207,915	260,756
	39,343	213,874	269,021
Investments and advances	54,142	38,649	45,932
	93,485	252,523	314,953
Current assets			
Stocks	95,990	101,669	105,462
Accounts receivable	51,355	57,715	68,924
Cash and short-term investments	8,702	7,853	4,772
	156,047	167,237	179,158
Current liabilities			
Short-term loans and bank overdrafts	(13,877)	(19,844)	(98,566)
Accounts payable and accrued liabilities	(51,977)	(57,190)	(62,172)
	(65,853)	(77,034)	(160,738)
Net current assets	90,194	90,203	18,420
Total assets less current liabilities	183,679	342,726	333,373
Long-term liabilities			
Long-term loans	(380,105)	(212,967)	(263,346)
Provisions	(77,632)	(78,332)	(69,451)
Deferred purchase consideration	(61,913)	(63,380)	(61,557)
Minority interest	–	(1,274)	–
Net (liabilities)/assets	(335,971)	(13,227)	(60,981)
Capital and reserves			
Capital	46,781	46,781	46,781
Accumulated deficit	(382,752)	(60,008)	(107,762)
Shareholders’ (deficit)/equity	(335,971)	(13,227)	(60,981)
Number of ordinary shares in issue	122,559,900	122,559,900	122,559,900
Net asset value (per ordinary share in US cents)	(274.13)	(10.79)	(49.76)

CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended June 30, 2002

	Unaudited Six months ended June 30, 2002	Unaudited Six months ended June 30, 2001	Audited Year ended December 31, 2001
in thousands of US dollars			
Cash flow from operating activities			
Cash received from customers	212,933	179,191	361,945
Cash paid to suppliers and employees	(186,539)	(242,098)	(465,756)
<i>Cash generated/(absorbed) by operations</i>	26,394	(62,907)	(103,811)
Interest received	–	342	356
Interest paid	(933)	(2,618)	(5,314)
Income tax paid	–	(248)	(351)
<i>Net cash generated/(absorbed) by operating activities</i>	25,461	(65,432)	(109,120)
Cash flow from investing activities			
Investment in KCM	–	–	(2,832)
Capital expenditure	(34,654)	(42,015)	(107,297)
<i>Cash absorbed by investing activities</i>	(34,654)	(42,015)	(110,129)
Cash flow from financing activities			
Proceeds from external borrowings	95,000	80,313	154,000
Repayment of external borrowings	(60,000)	–	–
Advances by minority shareholders in KCM	2,813	4,688	21,000
<i>Net cash from financing activities</i>	37,813	85,000	175,000
Net increase/(decrease) in cash	28,620	(22,446)	(44,249)
Cash at the beginning of the year	(33,916)	10,333	10,333
Net (debt)/cash at the end of the period	(5,297)	(12,113)	(33,916)
Cash deposits and cash at bank	8,580	7,731	4,650
Bank overdraft – unsecured	(13,877)	(19,844)	(38,566)
Net (debt)/cash at the end of the period	(5,297)	(12,113)	(33,916)

The financial statements were prepared in accordance with International Accounting Standards and in terms of the same accounting policies applied during the previous financial period.

Chairman's Statement

Restructuring

On August 19, 2002 the Company announced that it had reached agreement on the restructuring of Konkola Copper Mines PLC ('KCM') with Anglo American plc, ZCCM Investments Holdings plc, the Government of the Republic of Zambia, the International Finance Corporation and CDC Group plc. Following the approval of shareholders on September 10, 2002, it is envisaged that the restructuring and related arrangements, as spelt out in the ZCI circular issued on August 23, 2002, will be completed shortly.

Impairment

The revised outlook for copper prices, combined with the fact that KCM is not likely in the foreseeable future to be able to raise the funding required to implement the Konkola Deep Mining Project, have impacted on the projected life of the Konkola Mine and the values of KCM's assets. In light of the proposed restructuring and the funding available to KCM at present, the Directors have evaluated the assets and determined the need for an impairment to be reflected in the accounts for the six months ended June 30, 2002. The impairment of the assets has been determined to amount to US\$249 million. The impairment calculation has been reviewed by Deloitte & Touche.

KCM Operational Report

The ZCI Group has delivered an improved operating performance for the six months to June 30, 2002, reducing its operating loss before interest and taxation to US\$11.6m from US\$41.1m for the first half of 2001. The impairment provision plus a higher interest charge increased the net loss for the six months to US\$275m (2001 – US\$38.2m).

The period under review has seen improvements being achieved in most aspects of the business with the benefits of the refurbishment programme beginning to be realised. Capital expenditure on refurbishment over the period amounted to US\$35 million but further expenditure was constrained by the limitation on finance available to KCM. Increases in volumes mined and treated have led to a reduction in unit costs. Cash operating costs declined from an average of USc 81/lb over the last six months of 2001 to an average of USc 73/lb over the period under review.

Safety standards and safety risk awareness continue as high priorities at KCM and have improved over the period under review. The Lost Time Injury Frequency Rate fell from 0.83 over the first 6 months of 2001 to 0.57 per 200,000 man hours in the first half of 2002. However, there were regrettably two fatal accidents at KCM during the period.

Copper ore mined increased by 18% but this was partly offset by lower grades. Higher tonnages of both copper and cobalt ore were milled and, with improved recoveries at Nchanga, Konkola and the Leach Plant together with higher throughput at the Nkana Smelter, production of copper increased significantly. Sales were further boosted by the realisation of approximately 8,000 tonnes of copper cathode stocks. Throughput at the Nkana Smelter has improved but the plant continues to experience operating problems.

The world economy has not rebounded to the extent hoped with base metals prices remaining depressed. The average realised price of copper for the period was USc 71.5/lb, compared to USc 81.1/lb in the first half of 2001. It remains uncertain when prices will improve with copper currently trading in the spot market at USc 69/lb.

Operating statistics for KCM for the six months to June 30, 2002

	Six months ended June 30, 2002		Six months ended June 30, 2001		Six months ended June 30 2002 2001	
	Tonnes (t)	Grades (%)	Tonnes (t)	Grades (%)	Tonnes (t)	Tonnes (t)
Copper ore mined						
Nchanga Open Pit	2,214,000	1.84	1,717,000	2.18		
Nchanga Underground	1,448,000	3.37	1,423,000	3.26		
Konkola Underground	925,000	3.29	913,000	3.37		
Cobalt Ore mined						
Nchanga Open Pit	302,000	0.52	766,000	0.65		
Tailings Leach Plant						
Tailings treated	6,174,000	0.76	5,157,000	0.94		
Flotation						
Copper ore milled	4,733,000		4,676,000			
Cobalt ore milled	406,000		383,000			
Metal in concentrate produced						
Copper in concentrate produced	77,273		70,258			
Cobalt in concentrate produced	1,544		1,566			
Tailings Leach Plant						
Finished copper produced					35,797	35,741
Smelting and refining						
Tonnes concentrate treated					187,535	146,616
Finished copper produced					69,939	54,744
Finished productio						
Copper					110,363	90,485
Cobalt					1,174	1,236
Metal sales						
Copper					118,568	93,079
Cobalt					1,272	1,297
Average price realised						
Copper (USc/lb)					71.5	81.1
Cobalt (US\$/lb)					7.13	9.77

Board of Directors

All of the directors of the Company, except for C J Colebank, have indicated their intention to resign with effect from September 16, 2002. R G Mills, S Georgala and J Mills have been appointed as directors in their stead from the same date.

Administration

Subsequent to September 16, 2002, the administration of the Company and company secretaries functions of the ZCI Group will cease to be provided by Anglo American. The administrative function of the ZCI Group will be provided by Maitland Management Services. The new Company Secretary will be J Mills, whose business address is 6 Rue Adolphe Fischer, L-1520 Luxembourg.

Once again, the directors of ZCI wish to record their appreciation of the great efforts made by all the employees of KCM during what has again been a very difficult six month period.

S R Thompson
Chairman

Bermuda
September 16, 2002

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