MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended 31 December 2008

The following management discussion and analysis ("MD&A") of the operating results and financial condition of African Copper Plc ("African Copper" or the "Company") and its subsidiaries is for the year ended 31 December 2008 compared with 31 December 2007. The MD&A should be read in conjunction with the 31 December 2008 audited consolidated financial statements of the Company (the "Financial Statements") and the related notes thereto (the "Notes"). The Financial Statements have been prepared under the historical cost basis or the fair value basis for certain financial instruments and in accordance with International Financial Reporting Standards ("IFRS") (see Note 2: Significant Accounting Policies). All amounts herein are expressed in British Pounds Sterling unless otherwise indicated and the information is current to 31 March 2009.

The scientific and technical information in this MD&A has been prepared under the supervision of Mr. James Arthur, FSAIMM, the General Manager of the Mowana Mine and a "qualified person" as defined by Canadian National Instrument 43-101.

Additional information relating to the Company, including the Company’s Annual Information Form, is available at www.africancopper.com or under the Company’s profile on the SEDAR website at www.sedar.com.

CURRENT POSITION

African Copper is incorporated in England and Wales, and its ordinary shares are tri-listed on the AIM market of the London Stock Exchange ("AIM"), the Toronto Stock Exchange ("TSX") and the Botswana Stock Exchange ("BSE"). The ordinary shares trade on AIM and the TSX under the symbol "ACU", and on the BSE under the symbol "African Copper". African Copper is a holding company of a mineral exploration and development group of companies (the "Group"). The Group is involved in the exploration and development of copper deposits in Botswana and is currently developing its first copper mine at the Mowana Mine and holds permits in exploration properties at the Matsitama Project. The Mowana Mine is located in the north-eastern portion of Botswana and the Matsitama Project is contiguous to the southern boundary of the Mowana Mine. The address of African Copper’s registered office is 100 Pall Mall, St James’s London SW1Y 5HP.

The results of operations for the year ended 31 December 2008 reflects a lack of working capital required to maintain the Group’s operations. The Group does not have sufficient cash or debt facilities to pay its existing liabilities or fund future operations and therefore cannot resume operations at the Mowana Mine and Matsitama Project until funding is secured. As a result the Group needs to negotiate debt settlement agreements with its bond holders and trade creditors and raise at least US$15 million of additional funding which, if not raised, provides significant doubt over the Group’s ability to continue as a going concern and to meet its obligations as they become due and, accordingly, the appropriateness of the use of the accounting principles applicable to a going concern.

In response to the Group’s working capital deficit and the continued reduction in the demand and price for copper worldwide, on 21 January 2009 the Mowana Mine was placed on care and maintenance pending the finalization of negotiations to obtain the necessary funding.

On 16 March 2009 the Company announced that it had signed an agreement with Natasa Mining Ltd. ("Natasa") to assist the Group to meet its immediate and critical working capital requirements. Under the terms of the agreement, Natasa has made available a short-term, interest-free, secured loan facility of US$1.5 million (the "Bridge Loan"), to be repaid out of a proposed US$6.5 million private
placement of ordinary shares (the “Equity Placement”) and funds advanced to the Company pursuant to a proposed US$8.5 million debt facility (the “Debt Facility”). The Equity Placement and Debt Facility (collectively the “Financing”) are subject to a number of conditions precedent prior to closing including African Copper shareholder approval, agreement of legal documentation in relation to the Debt Facility; the delisting of African Copper from the Toronto Stock Exchange; and the Company’s subsidiaries arranging debt settlement agreements with its bondholders and certain large creditors such that the Financing will enable the Group liabilities, other than those arising from the Debt Facility, to be extinguished in full and allow a remaining cash balance of at least US$3 million to be held by the Group. In the event the remaining cash balance is US$2.5 million (and not US$3 million), the amount of the Debt Facility will be increased to US$9.5 million and the amount of the Equity Placement will be reduced to US$6.0 million. In the event that the remaining cash balance falls between US$3 million and US$2.5 million, the amounts referred to above will be adjusted on a pro rata basis. The Group’s ability to continue as a going concern is dependent upon its ability to complete the Financing, re-commence operations at the Mowana Mine and generate positive cashflows from such operations. Following the completion of the Financing, the mine plans at Mowana will be reviewed in order to optimize these and the Directors anticipate that further funding will be required before production may be recommenced at the Mowana Mine. The Directors expect that such funding will be provided by Natasa but the terms of any further funding will be subject to separate commercial negotiations between the Company and Natasa once the mine plans have been completed and the timing and amount of such funds required is known.

It is a condition of the Financing that all the Directors and officers of the Group resign and be replaced with nominees of Natasa. In addition, all positions of existing staff of the Group will be made redundant except those positions as set out in writing by Natasa at closing. The Company's current broker and nominated adviser, Numis Securities Limited ("Numis"), has expressed its intention to resign at the same time as the Company's existing Directors step down from the Board if the proposals with Natasa are completed. The Company anticipates being able to find a new nominated adviser to replace Numis. However, should the Company be unable to appoint a new nominated adviser to replace Numis at the relevant time, the Company would be suspended from trading on AIM until a new appointment occurs. If no such appointment is made within one month, the Company's AIM quotation would be cancelled.

Under the terms of the proposed Equity Placement, Natasa has agreed in principle to subscribe for 1,581,557,998 ordinary shares at 0.30 pence per ordinary share in African Copper to provide aggregate gross proceeds £4.7 million (US$6.5 million). As part of the debt settlement agreements with the bondholders and certain large creditors, namely Moolman Mining Botswana (Pty) Ltd ("Moolman") and the Group's EPCM contractors, (the "Creditors") it is proposed that the Group will pay to the Creditors the sum of £4.3 million (US$5.9 million) representing approximately 20 per cent of the amount owed to them. This payment will be funded from the Financing. In addition, it is proposed that the Company will issue to the Creditors 530,951,614 new ordinary shares at a deemed price of 3.2 pence per ordinary share (the “Debt for Equity Agreement”) in satisfaction of the £17.1 million (US$23.7 million) owed to them. Following completion of the Financing, the Company’s enlarged issued share capital is expected to comprise 2,259,368,569 ordinary shares to be held as set out below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Ordinary shares</th>
<th>% of total following Equity Placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing shares in issue</td>
<td>146,858,957</td>
<td>6.5%</td>
</tr>
<tr>
<td>Shares to be issued to Creditors</td>
<td>530,951,614</td>
<td>23.5%</td>
</tr>
<tr>
<td>Shares to be issued to Natasa</td>
<td>1,581,557,998</td>
<td>70.0%</td>
</tr>
<tr>
<td>Total following Equity Placement and Debt for Equity Agreement</td>
<td>2,259,368,569</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
In view of the fact that 1,581,557,998 of the new ordinary shares to be allotted to Natasa are proposed to be issued at a price which would otherwise represent a discount to their nominal value of 1p per share (which is not permitted by English law), it is proposed that each of the Company’s existing shares are sub-divided into one ordinary share of 0.1p each and one deferred share of 0.9p each. Following the sub-division, each existing shareholder of African Copper will (prior to the issue of the new ordinary shares) hold the same proportion of the issued ordinary share capital of the Company as it did prior to the sub-division. Each sub-divided ordinary share will carry the same rights as each existing share. The deferred shares created by the sub-division will in effect be worthless.

**Outlook**

Due to the severe reduction in the demand and price for copper worldwide during the fourth quarter of 2008, delays in shipping first concentrate resulting from the delays in commissioning of the Mowana Mine, and the current market volatility and uncertainty, African Copper has been unable to generate the cashflow anticipated and obtain the required working capital finance for continued operations.

As a result, commencing during the fourth quarter of 2008, the Company implemented the following initiatives to reduce costs and conserve cash including:

1. **Exercise Put Options** – the Company exercised and sold all of its copper put options generating proceeds of £3.3 million (US$4.75 million). The proceeds were used to partly fund the Company’s working capital requirements.
2. **Suspend Mining Operations** – at the beginning of the fourth quarter management commenced negotiations with the Group’s mining contractor, Moolman, for a suspension of operations. As part of the debt settlement agreement with Moolman (as described in Point 7 below) the Company negotiated a termination of the Moolman mining contract.
3. **Utilizing Ore Stockpiles** - processing ore from the existing ore stockpile which allowed production during reduced mining activity.
4. **Curtailment of Capital Projects and Exploration** - only funding essential capital projects and suspending all exploration activity.
5. **Cutting Costs** - reviewing and reducing operating and administrative costs to support essential operations.
6. **Care and Maintenance** - on 21 January 2009 the Mowana Mine was placed on care and maintenance pending completion of a financing.
7. **Negotiations with Creditors** - management commenced negotiations with the Creditors regarding a compromise of debts agreement. As part of the Financing it is proposed that African Copper will pay to the Creditors the sum of £4.3 million (US$ 5.9 million) representing approximately 20 per cent of the amount owed to them. This payment will be funded from the proceeds of the Financing. In addition it is proposed that the Company will issue to the Creditors 530,951,614 new ordinary shares at a deemed price of 3.2 pence per ordinary share in satisfaction of the balance of the £17.1 million (US$ 23.7 million) owed to them.

In addition to these initiatives, the Directors have aggressively pursued financing alternatives for the Company over the past seven (7) months and have held advanced discussions with a number of finance providers. Having regard to the requirements of the Creditors, the Directors determined that the proposed terms of investment by Natasa were the best terms available to the Company. In deciding to enter into the Bridge Loan and the proposed arrangements with Natasa in preference to other possible options available, the Board has, in view of the Company’s financial position, been advised that it must primarily have regard to the interest of the Group’s creditors, rather than the interests of the Company’s shareholders. The Creditors indicated that the proposed transaction with Natasa was preferred by them above the other possible options. If the Company is unable to complete the proposed transaction with Natasa, the Directors believe the Company will be unable (in the absence of immediate alternative funding) to avoid formal insolvency proceedings, and in such event it is unlikely that there will be any assets available for distribution to shareholders.

**Mining**

During the fourth quarter management focused on limiting mining volumes in order to conserve cash. By the end of December 2008 the Company was successful in fully suspending the mining contract
with Moolman and substantially all of the demobilization of Moolman's equipment was complete. Interim arrangements were put in place with a smaller local contractor in early 2009 to accommodate stockpile drawdown management and ongoing crusher feed requirements.

Processing

Following the first shipment of copper concentrate that was dispatched at the end of October, further production delays were experienced as a result of, among other things, lack of spare parts due to the Company's working capital deficit and unexpected equipment failures. These delays resulted in production shortfalls during the quarter from the copper in concentrate production forecast of approximately 1,500 tonnes to 270 tonnes.

A total of 115,000 tonnes of ore were milled at the Mowana processing facility at a head grade of 1.1% copper against a planned target of 235,000 tonnes at a head grade of 1.8% copper.

Despite demonstrating the ability to achieve and on certain occasions exceed budgeted capacity, mill throughput was severely constrained by the inability to provide sufficient mill feed due to low mechanical availability of primary and secondary crushing circuits.

During the fourth quarter progress was made in balancing and tuning the floatation circuit. Despite these efforts recoveries were below planned levels, this being attributed to unstable feed conditions associated with crusher problems, and secondly a higher than planned oxide content ratio in the feed to the mill.

During January 2009 the floatation circuit began to show signs of stabilizing and an improvement in copper recoveries was noted. Various reagent test work was carried out during December 2008 indicating the potential for an improvement in copper recoveries. This test work is being followed up and will be trialed at plant scale level following the restart of operations.

THE OUTLOOK FOR COPPER

Since the beginning of the third quarter, the copper market has been steadily weakening from around $US7,000/t to current levels of around $US3,900/t. This has been due to a slowdown in demand, particularly from China, as well as the general global economic conditions. Industry commentators are predicting that the copper price will remain weak in the near term.

MATSITAMA

Activities during the fourth quarter of 2008 focused on prospecting, mapping and fill-in soil sampling at 100m line-spacing as previous work was completed at 300m and 400m line-spacing. Final reports on the high priority prospects were completed during the fourth quarter. In line with the market conditions and managements need to aggressively reduce overheads, exploration activity was curtailed at the Matsitama Project with the majority of the exploration team retrenched. Opportunities exist for joint venture associations and these are currently being investigated with interested parties.

KEY POINTS FOR THE QUARTER

- Financial results for the fourth quarter of 2008 were impacted by one-off charges totalling £57.6 million as a result of:
  - Provision for impairment of assets at the Company's Mowana Mine of £50.8 million;
  - A write-down of £1.3 million in the value of deferred exploration at the Mowana Mine;
  - A write-down of £5.5 million in the value of deferred exploration at the Matsitama Project;
  - Severance payments and demobilization costs were incurred as the result of the suspension and ultimate termination of the Moolman mining contract.
- Quarterly production of 270 tonnes of copper produced in concentrate compared to budget of 1,500 tonnes.
- Net loss of £56,907,340 (39.05p per share) compared to a £146,811 (0.11p per share) loss in the fourth quarter of 2007.
Negative cashflows from operating activities, before working capital movements, of £643,000 compared to £1,413,129 in the fourth quarter of 2007.

Copper put options exercised and sold generating proceeds of £3.3 million (US$4.75 million).

Mowana Mine experienced a lack of working capital required to maintain operations and experienced production delays as a result of, among other things, lack of spare parts due to this lack of working capital and unexpected equipment failures.

Mining operations suspended with negotiations to terminate 5-year mining contract completed.

Suspension of concentrate production and initiation of a care and maintenance program at the Mowana Mine in January 2009.

NEAR TERM OBJECTIVES

- Addressing the Group’s working capital deficit by completing the Financing with Natasa.
- Following successful completion of the Financing with Natasa, Natasa has advised they will deploy an experienced team of senior mining professionals with the goal of reviewing and optimizing the financial performance from the Group’s assets. As well as identifying the best mining methods and processing parameters to maximise short and longer term potential of the Mowana Mine, the team will be tasked to evaluate cost-effective expansion of plant throughput capabilities beyond the 25,000 tonnes per annum copper output envisaged in the current African Copper five year plan. If the Company is unable to complete the proposed transaction with Natasa, the Directors believe the Company will be unable (in the absence of immediate alternative funding) to avoid formal insolvency proceedings, and in such event it is unlikely that there will be any assets available for distribution to shareholders.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Significant estimates and assumptions include those related to the recoverability of mineral properties, estimated useful lives of capital assets, stock compensation and financial instruments valuation assumptions and determination as to whether costs are expensed or deferred. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. A summary of the critical accounting estimates is listed below.

Resource Properties, Deferred Exploration and Mine Development Costs:

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Upon demonstration of the technical and commercial feasibility of a project, any past deferred exploration and evaluation costs related to that project will be reclassified as mine development and infrastructure.

Capitalised deferred exploration expenditures are reviewed for impairment losses at each balance sheet date. In the case of undeveloped properties, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company’s intentions for development of the undeveloped property. The Company may periodically revise its valuation based on additional exploration results and determine that the carrying value of the property on the balance sheet is impaired. When such a change in estimate is made, there may be a material effect on the balance sheet and income statement.

Based on the fact that the Board approved development of the Mowana Mine in September 2006 the deferred exploration costs incurred to date on Mowana were reclassified as mine development and infrastructure costs and future general and administrative costs expensed. The assessment of the carrying value involves the study of geological and economic data (including resource estimates) and the reliance on a number of assumptions. These estimates of resources may change based on additional knowledge gained subsequent to the assessment. This may include additional data available from the continued development activities of the Mowana Mine Project, actual production data when available or the impact of economic factors such as changes in the price of copper or the cost of construction and development costs or the cost of components of production.
Due to the severe reduction in the demand and price for copper worldwide during the fourth quarter of 2008, delays in shipping first concentrate resulting from delays in commissioning the Mowana Mine, and the current market volatility and uncertainty the Group has been unable to achieve and/or obtain the anticipated cashflow required to finance its working capital requirements for continued operations. Long-lived assets must be tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the year ended 31 December 2008, the Company undertook a review of all mining and deferred exploration assets in light of recent economic events, the decline in copper prices and the impact on the Company’s near-to-midterm business plan and ability to finance its working capital deficit. The Company assessed the impairment of property, plant and equipment by reference to fair value less costs to sell. The determination of fair value less costs to sell was based on the estimated amount that would be obtained from sale in an arm’s length transaction between knowledgeable and willing parties. This estimate was derived from the terms of the Natasa transaction.

For the year ended 31 December 2008 the provision for impairment of long-lived assets of £99.2 million relates to:

- Mowana Mine property, plant and equipment of £92.4 million
- Mowana Mine deferred exploration of £1.3 million
- Matsitama Project deferred exploration of £5.5 million

**Asset Retirement Obligations:**
Asset retirement obligations are future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site. The liability is accreted over time through period charges to the Consolidated Income Statement. In addition, the asset retirement cost is capitalised as part of the asset’s carrying value and amortized over the asset’s useful life. Subsequent to the initial recognition of the asset retirement obligation and associated asset retirement cost, changes resulting from a revision to either timing or amount of estimated cash flows are prospectively reflected in the year those estimates change.

The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 December 2008 is £2,426,399. The estimate is based on the anticipated seven year open-pit mine life, Botswana inflation of 13% and a discount factor of 14% being the coupon on the Botswana interest bearing borrowings. Although the ultimate amount to be incurred is uncertain, the independent Environmental Impact Statement, completed on the Mowana Mine by Water Surveys Botswana (Pty) Limited in September 2006, using an assumption that mining continues to 2023, estimated the undiscounted cost to rehabilitate the Mowana Mine site of 24.3 million Pula (£2.2 million).

Under the terms of the Mining Licence, by the end of the first financial year in which copper is produced and sold, the Company must establish a trust fund to provide for rehabilitation of the Mowana Mine site once the mine closes. The Company will annually make contributions to this fund over the life of the mine so that these capital contributions together with the investment income earned will cover the anticipated costs. At the end of each financial year, the Company will reassess the estimated remaining life of mine as well as the cost to rehabilitate the mine site and adjust its annual contributions accordingly.

**Derivative Financial Instruments:**
The Company uses derivative financial instruments, in particular copper put contracts, to manage financial risks associated with their underlying business activities and the financing of those activities. Derivative financial instruments are measured at their fair value. Financial assets and liabilities are recognised on the balance sheet when the Company has become party to the contractual obligations of the instrument. Derivative financial instruments, which are not effective hedges, are measured at fair value, with the movement in fair value being recognized in the consolidated income statement for the period. Movements in the fair value of derivative financial instruments which are considered effective hedges are recognised directly in equity.
Share Based Payments:
The Company is required to charge the Consolidated Income Statement with the fair value of the options issued. This calculated charge amount is not based on historical cost, but is derived based on assumptions input into an option pricing model. The model requires that management make several assumptions as to future events, including: an estimate of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company’s share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value of which the holder of the option could receive in an arm’s length transaction, given there is no market for the options and they are not transferrable. The value derived from the option pricing model is highly subjective and dependent entirely upon the input assumptions made. The fair value of the option is either expensed or capitalised as a deferred exploration cost depending on the nature of the employee services received.

OVERALL FINANCIAL PERFORMANCE FOR FISCAL 2008
The Company recorded a net loss for fiscal 2008 of £102,708,984 (70.47p), compared with a net gain of £117,409 (0.09p) in fiscal 2007. Due to the severe reduction in the demand and price for copper worldwide during the fourth quarter of 2008, delays in shipping first concentrate resulting from delays in commissioning the Mowana Mine, and the current market volatility and uncertainty African Copper has been unable to achieve the anticipated cashflow and obtain the required working capital finance for continued operations. Long-lived assets must be tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the year ended 31 December 2008, the Company undertook a review of all mining and deferred exploration assets in light of recent economic events, the decline in copper prices and the impact on the Company’s near-to-midterm business plan and ability to finance its working capital deficit. The Company assessed the impairment of property, plant and equipment by reference to fair value less costs to sell. The determination of fair value less costs to sell was based on the estimated amount that would be obtained from sale in an arm’s length transaction between knowledgeable and willing parties. This estimate was derived from the terms of the Financing.

For the year ended 31 December 2008 the provision for impairment of long-lived assets of £99.2 million relates to:
- Mowana Mine property, plant and equipment of £92.4 million
- Mowana Mine deferred exploration of £1.3 million
- Matsitama Project deferred exploration of £5.5 million

As evidenced in the following table, the increased loss during the current year compared to the previous year was primarily the result of the impairment provisions discussed above together with lower bank interest receivable, higher Botswana administration costs, increased professional fees, inventory adjustment, foreign exchange losses and interest and related fees in respect of the Botswana Bond as described below under the heading Interest Expense.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2008</th>
<th>Year ended 31 December 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank interest receivable</td>
<td>(1,359,176)</td>
<td>(2,986,190)</td>
</tr>
<tr>
<td>Corporate G&amp;A, consultants, salaries and benefits</td>
<td>714,566</td>
<td>815,575</td>
</tr>
<tr>
<td>Botswana G&amp;A, consultants, salaries and benefits</td>
<td>1,125,977</td>
<td>510,242</td>
</tr>
<tr>
<td>Insurance</td>
<td>33,477</td>
<td>106,141</td>
</tr>
<tr>
<td>Directors’ fees</td>
<td>57,100</td>
<td>67,800</td>
</tr>
<tr>
<td>Investor relations and Public company administration</td>
<td>230,465</td>
<td>192,981</td>
</tr>
<tr>
<td>Travel, accommodation</td>
<td>204,570</td>
<td>179,735</td>
</tr>
<tr>
<td>Professional fees</td>
<td>550,650</td>
<td>347,230</td>
</tr>
<tr>
<td>Share based compensation</td>
<td>60,307</td>
<td>518,657</td>
</tr>
<tr>
<td>Fund Raising fees</td>
<td>29,617</td>
<td>-</td>
</tr>
<tr>
<td>Inventory Adjustment</td>
<td>230,161</td>
<td>-</td>
</tr>
</tbody>
</table>
Interest expense  &  1,293,078  &  -  \\
&  4,529,968  &  2,738,359  \\
Foreign exchange loss/(gain)  &  612,066  &  (275,811)  \\
Hedging (gain)/loss  &  (346,670)  &  406,231  \\
Impairment of property, plant and equipment  &  92,438,345  &  -  \\
Impairment of deferred exploration  &  6,834,451  &  -  \\
Net  loss/(gain)  &  102,708,984  &  (117,409)  \\

Bank interest receivable:
Bank interest receivable for fiscal 2008 decreased to £1,359,176 from £2,986,190 in fiscal 2007. The lower bank interest receivable related to lower average cash balances and interest rates throughout the current year compared to the previous year as funds continued to be utilized for the Mowana Mine construction programme.

Corporate general and administration, consultants, salaries and benefits:
During fiscal 2008, the Company incurred a total of £714,566 (2007: £815,575) in corporate salaries, general and administrative expenses.

Botswana general and administration, salaries and benefits:
During fiscal 2008, Botswana general administration and salary costs increased to £1,125,977 compared to £510,242 for the same period in 2007. The increase reflects additional costs with respect to people, infrastructure and systems required to support the planned commencement of commercial production at the Mowana Mine during 2008.

Insurance:
The insurance expense for fiscal 2008 reflected the cost of directors’ and officers’ insurance for the year. The insurance cost for the comparative fiscal 2007 of £106,141 included the cost of directors’ and officers’ insurance in addition to £20,727 for insurance advisory and review costs incurred in reviewing the suitability and amount of the Mowana Mine construction and delay insurance coverage.

Investor relations and public company administration:
Investor relations costs increased to £230,465 compared with £192,981 in 2007. The increase related to costs paid to third-party investor relations firms and related travel.

Professional fees:
Professional fees increased to £550,650 in fiscal 2008 compared to £347,230 in fiscal 2007. The increase in costs was related to three primary reasons: (1) increased legal fees (2) internal control review completed by an independent consultant as part of compliance with Canadian securities regulations (3) costs paid to a third party consulting firm which provided organizational systems design, reporting structures and implementation services for the Mowana Mine.

Share-based compensation:
Share based compensation expenses of £60,307 (2007: £518,657) are non-cash expenses and reflect the derived value of stock options vested during the year. During fiscal 2008 no options were granted (2007: 200,000). The fair value calculated of stock options when granted is amortized to the Income Statement over the period in which the options vest.

Interest Expense:
On 4 April 2008, Messina Copper (Botswana) (Pty) Ltd ("Messina"), the Company’s 100% owned subsidiary, completed the placing of Pula 150.0 million (£11.85 million) notes with local Botswana institutions (the “Botswana Bond”). The Botswana Bond is denominated in Pula and is an unsecured fixed rate note that bears interest at 14.0% per annum and has a bullet maturity in 7 years. A fee of 2% (£250,286) of the total principal amount of the Botswana Bond was paid to the placing agents and was capitalized as a reduction of Interest Bearing Borrowings. Interest expense on the Botswana Bond for the year ended 31 December 2008 totalled £1,293,078.
**Hedging gain:**
In an effort to assist in funding the Company’s working capital requirements on 12 November 2008 the Company exercised and sold all of its outstanding put options generating total proceeds of £3.3 million (US$4.75 million). Based on the put exercise price of $US3.00 per pound the Company realized a hedging gain of £346,670. Hedging losses had previously been recognized during fiscal 2007 and the nine months ended 30 September 2008 when copper was trading in excess of the put exercise price of $US 3.00 per pound. In May 2007 African Copper purchased copper put options for up to 5,850 tonnes of copper at an exercise price of US$3.00/lb, divided evenly over the period April 2008 to December 2008, which equates to 650 tonnes per month over the nine month period (the “2007 Puts”).

**Foreign exchange:**
During fiscal 2008, the Company recorded a foreign exchange loss of £0.6 million compared to a gain of £0.3 million in fiscal 2007. The Company has foreign currency exposure with respect to items denominated in foreign currencies. The Company holds and transacts business in multiple currencies, the most significant of which are British Pounds Sterling (“Sterling”), Botswana Pula (“Pula”), South African Rand (“Rand”), Canadian Dollar and US Dollar.

The £612,066 foreign exchange loss recorded for the year ended 31 December 2008 was primarily due to foreign exchange losses incurred during the first quarter of 2008 on foreign currency cash balances of Rand held to finance planned Rand denominated expenditures for the Mowana Mine development. During the year ended 31 December 2008 the Rand strengthened relative to Sterling. Based on rates provided by the Bank of England the Rand/Sterling exchange rate at 31 December 2007 was 13.60140 compared to 13.29060 at 31 December 2008.

The Pula is considered the functional currency for the Company’s Botswana subsidiaries. Accordingly, assets and liabilities of the Botswana subsidiaries are translated into Sterling using the exchange rates in effect at the balance sheet dates. Translation gains and losses are included in a separate component of shareholders’ equity. During fiscal 2008 the foreign exchange translation gain recognized in shareholders’ equity was £6.6 million compared to the translation loss of £1.2 million during fiscal 2007. During 2008 the Pula strengthened relative to Sterling. Based on rates provided by the Stanbic Bank of Botswana the Pula/Sterling exchange rate at 31 December 2007 was 12.0023 compared to 11.0270 at 31 December 2008.

**OVERALL FINANCIAL PERFORMANCE FOR THE THREE MONTHS ENDED 31 DECEMBER 2008**

For the quarter ended 31 December 2008, the Company recorded a net loss of £56,907,340 (2007: net loss £146,811) or 39.05p per share (2007: 0.11p per share).

As described above under the heading Overall Financial Performance for 2008 the Company recorded a provision during the fourth quarter of 2008 for the impairment of long-lived assets of £57.6 million during the fourth quarter of 2008.

This impairment provision relates to:
- Mowana Mine property, plant and equipment £50.8 million
- Mowana Mine deferred exploration of £1.3 million
- Matsitama Project deferred exploration of £5.5 million

As evidenced in the following table, the increased loss during the fourth quarter of 2008 compared to the previous year’s quarter was primarily the result of the impairment provision related to the Mowana Mine and Matsitama Project together with lower bank interest receivable, higher Botswana administration costs, increased professional fees, inventory adjustments, higher foreign exchange losses and interest and related fees in respect of the Botswana Bond as described below under the heading Interest Expense.
<table>
<thead>
<tr>
<th></th>
<th>Three months ended 31 December 2008</th>
<th>Three months ended 31 December 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank interest receivable</td>
<td>(59,300)</td>
<td>(701,279)</td>
</tr>
<tr>
<td>Corporate G&amp;A, consultants, salaries and benefits</td>
<td>127,211</td>
<td>205,135</td>
</tr>
<tr>
<td>Botswana G&amp;A, salaries and benefits</td>
<td>311,833</td>
<td>203,891</td>
</tr>
<tr>
<td>Insurance</td>
<td>8,264</td>
<td>9,899</td>
</tr>
<tr>
<td>Directors’ fees</td>
<td>11,650</td>
<td>16,950</td>
</tr>
<tr>
<td>Investor relations and public company administration</td>
<td>33,547</td>
<td>31,875</td>
</tr>
<tr>
<td>Travel, accommodation</td>
<td>36,645</td>
<td>66,476</td>
</tr>
<tr>
<td>Professional fees</td>
<td>172,689</td>
<td>160,152</td>
</tr>
<tr>
<td>Share based compensation</td>
<td>(1,117)</td>
<td>54,140</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>(53,484)</td>
</tr>
<tr>
<td>Fund Raising fees</td>
<td>29,617</td>
<td>-</td>
</tr>
<tr>
<td>Inventory Adjustment</td>
<td>230,161</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense</td>
<td>446,999</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,407,499</td>
<td>695,034</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>(223,981)</td>
<td>(253,175)</td>
</tr>
<tr>
<td>Hedging (gain)/loss</td>
<td>(1,892,278)</td>
<td>406,231</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>50,840,949</td>
<td>-</td>
</tr>
<tr>
<td>Impairment of deferred exploration</td>
<td>6,834,451</td>
<td>-</td>
</tr>
<tr>
<td>Net (gain)/loss</td>
<td>56,907,340</td>
<td>146,811</td>
</tr>
</tbody>
</table>

**Bank interest receivable:**
Bank interest receivable for the fourth quarter of fiscal 2008 decreased to £59,300 (2007:£701,279). The lower bank interest receivable related to lower average cash balances and interest rates throughout the current year’s quarter compared to the previous year’s quarter as funds continued to be utilized for the Mowana Mine construction programme.

**Corporate general and administration, consultants, salaries and benefits:**
During the fourth quarter of fiscal 2008, the Company incurred a total of £127,211 (2007: £205,135) in corporate salaries, general and administrative expenses.

**Botswana general and administration, salaries and benefits:**
During the fourth quarter of 2008, Botswana general administration and salary costs increased to £311,833 compared to £203,891 for the same period in 2007. The increase reflects additional costs with respect to people, infrastructure and systems required to support the commencement of commercial production at the Mowana Mine in the fourth quarter of 2008.

**Insurance:**
The insurance expense for the three months ended 31 December 2008 and 2007 reflected the cost of directors’ and officers’ insurance.

**Investor relations and public company administration:**
Investor relations and public company administration costs increased to £33,547 (2007:£31,875). The amounts in both periods related to costs paid to third-party investor relations firms, and related travel, regulatory filing fees, press release distribution costs and corporate presentation material preparation.
Professional fees:
Professional fees increased to £172,689 in the fourth quarter of fiscal 2008 compared to £160,152 in the fourth quarter of fiscal 2007.

Share-based compensation
Share based compensation expenses for the three-month period ended 31 December 2008 of £1,117 (2007: £54,140) are non-cash expenses and reflect the derived value of stock options vested during the quarter. During the fourth quarter of 2008 no options were granted (2007: nil). The fair value calculated of stock options when granted is amortized to the Income Statement over the period in which the options vest.

Interest Expense:
On 4 April 2008, Messina, completed the Botswana Bond. Interest expense on the Botswana Bond for the three months ended 31 December 2008 totalled £446,999.

Hedging gain
In an effort to assist in funding the Company’s working capital requirements on 12 November 2008 the Company exercised and sold the 2007 Puts generating total proceeds of £3.3 million (US$4.75 million). Based on the put exercise price of $US3.00 per pound the Company realized a hedging gain of £1,892,278. Hedging losses had previously been recognized during fiscal 2007 and the nine months ended 30 September 2008 when copper was trading in excess of the put exercise price of $US 3.00 per pound.

Foreign exchange:
During the fourth quarter of 2008, the Company recorded a foreign exchange gain of £223,981 compared to a gain of £253,175 during the same period in 2007. The Company has foreign currency exposure with respect to items denominated in foreign currencies. The Company holds and transacts business in multiple currencies, the most significant of which are Sterling, Pula, Rand, Canadian Dollar and US Dollar.

The Pula is considered the functional currency for the Company's Botswana subsidiaries. Accordingly, assets and liabilities of the Botswana subsidiaries are translated into Sterling using the exchange rates in effect at the balance sheet dates. Translation gains and losses are included in a separate component of shareholders' equity. During the three-month period ended 31 December 2008 the foreign exchange translation gain recognized in shareholders’ equity was £10.4 million compared to the translation gain of £0.97 million during the three-month period ended 31 December 2007. During the fourth quarter of 2008 the Pula strengthened relative to Sterling. Based on rates provided by the Stanbic Bank of Botswana the Pula/Sterling exchange rate at 30 September 2008 was 12.6581 compared to 11.0270 at 31 December 2008.

CAPITAL EXPENDITURES
The most significant ongoing investing activities during fiscal 2008 were expenditures for the development, pre-strip mining and construction of the Mowana Mine. In addition, capital was also spent for exploration programmes at the Matsitama Project and in areas surrounding the Mowana Mine.

Mowana Mine - mining development and infrastructure and mine plant and equipment
Expenditures relating to construction and mining activities at the Mowana Mine totalled £21.9 million during the three months ended 31 December 2008 and £56.9 million during the year ended 31 December 2008. These expenditures were offset by depreciation of £412,349 and foreign exchange gains of £3,644,800 million during year ended 31 December 2008. The foreign exchange gain was the result of translating to Sterling the accumulated mining development, infrastructure and mine plant and equipment balances that are denominated in Pula in the Botswana subsidiary accounts. (See Foreign Exchange under the Overall Financial Performance section of this MD&A).

Due to the severe reduction in the demand and price for copper worldwide during the fourth quarter of 2008, delays in shipping first concentrate resulting from delays in commissioning the Mowana Mine, and the current market volatility and uncertainty African Copper has been unable to achieve the
anticipated cashflow and obtain the required working capital finance for continued operations. Long-lived assets must be tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. During the year ended 31 December 2008, the Company undertook a review of all mining and deferred exploration assets in light of recent economic events, the decline in copper prices and the impact on the Company’s near-to-midterm business plan and ability to finance its working capital deficit. The Company assessed the impairment of property, plant and equipment by reference to fair value less costs to sell. The determination of fair value less costs to sell was based on the estimated amount that would be obtained from sale in an arm’s length transaction between knowledgeable and willing parties. This estimate was derived from the terms of the Natasa transaction.

For the year ended 31 December 2008 the provision for impairment of long-lived assets of £99.2 million relates to:

- Mowana Mine property, plant and equipment of £92.4 million
- Mowana Mine deferred exploration of £1.3 million
- Matsitama Project deferred exploration of £5.5 million

<table>
<thead>
<tr>
<th>For the Three months ended 31 December 2008</th>
<th>For the Year ended 31 December 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£’000</strong></td>
<td><strong>£’000</strong></td>
</tr>
<tr>
<td><strong>Balance at beginning of period:</strong></td>
<td></td>
</tr>
<tr>
<td>General yard and site work</td>
<td>41,598</td>
</tr>
<tr>
<td>Process plant</td>
<td>426</td>
</tr>
<tr>
<td>Owners’ cost</td>
<td>1,316</td>
</tr>
<tr>
<td>Mining</td>
<td>1,753</td>
</tr>
<tr>
<td>Capital WIP</td>
<td>10,286</td>
</tr>
<tr>
<td>Ancillary facilities</td>
<td>226</td>
</tr>
<tr>
<td>Share-based expenses</td>
<td>159</td>
</tr>
<tr>
<td>Housing development and other</td>
<td>19</td>
</tr>
<tr>
<td>assets</td>
<td>1,556</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(167)</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>280</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>6,016</td>
</tr>
<tr>
<td>Impairment of property plant and equipment</td>
<td>(50,840)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>12,628</td>
</tr>
<tr>
<td></td>
<td>12,628</td>
</tr>
</tbody>
</table>
Mowana Mine – deferred exploration expenditures

The Company spent £168,225 (2007: £51,361) during the three months ended 31 December 2008 and £870,998 (2007: £385,661) during the year ended 31 December 2008 on preparing an underground pre-feasibility study and exploration activities in the area surrounding the Mowana Mine in the Mowana prospecting licence area. Exploration work during the period included diamond drilling at the prospect to the south (within the structure hosting mineralization), further compilation and interpretation of geophysical surveys, geochemical orientation surveys and surface prospecting in the vicinity of geochemical anomalies. For the three months ended and year ended 31 December 2008 an impairment charge of £1.3 million was recorded. (See the section above entitled Mowana Mine - Mining Development and Infrastructure and Mine Plant and Equipment for a description of the impairment)

For the Three months ended
31 December 2008
£'000
For the Year ended
31 December 2008
£'000
---
Opening balance
1,116
413
Geological and geophysical
8
63
Drilling and Assay
6
252
Underground prefeasibility
62
404
Administration
7
24
Salaries
32
95
Foreign exchange
53
33
Impairment
(1,284)
(1,284)
---
Ending balance
Nil
Nil

Matsitama Exploration Project – deferred exploration expenditures

The Company spent £903,146 (2007: £561,854) during the three months ended 31 December 2008 and £1,641,019 (2007: £1,929,312) during the year ended 31 December 2008 on exploration activities in the Matsitama prospecting licence area. The foreign exchange gain of £341,754 during the year ended 31 December 2008 was the result of translating to Sterling the accumulated Matsitama exploration expenditures that are denominated in Pula in the Botswana subsidiary accounts (See Foreign Exchange under the Overall Financial Performance section of this MD&A). For the three months ended and year ended 31 December 2008 an impairment charge of £5.5 million was recorded. (See the section above entitled Mowana Mine - Mining Development and Infrastructure and Mine Plant and Equipment for a description of the impairment)

For the Three months ended
31 December 2008
£'000
For the Year ended
31 December 2008
£'000
---
Beginning Balance
4,647
3,909
Drilling
27
209
Assay
39
249
Geophysical
-
2
Depreciation capitalized
-
-
Administration
295
839
Foreign exchange
542
342
Impairment
(5,550)
(5,550)
---
Ending balance
Nil
Nil

SUMMARY OF ANNUAL RESULTS

The Company was incorporated on 11 February 2004. The Company’s reporting currency is Sterling. The Company’s subsidiary functional currencies include: Mortbury (Sterling), Messina (Pula) and
Matsitama Minerals (Proprietary) Limited (Pula). The following table sets out selected annual information on the Company, which data has been prepared in accordance with applicable IFRS:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2008 (audited) (£)</th>
<th>Year ended 31 December 2007 (audited) (£)</th>
<th>Year ended 31 December 2006 (audited) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>(1,359,176)</td>
<td>(2,986,190)</td>
<td>(1,645,501)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>104,068,160</td>
<td>2,868,781</td>
<td>3,684,505</td>
</tr>
<tr>
<td>Loss/(Profit) before tax</td>
<td>102,708,984</td>
<td>(117,409)</td>
<td>(117,409)</td>
</tr>
<tr>
<td>Loss/(Profit) after tax</td>
<td>102,708,984</td>
<td>(117,409)</td>
<td>(117,409)</td>
</tr>
<tr>
<td>Basic Loss/(Earnings)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per ordinary share</td>
<td>70.47p</td>
<td>(0.09)p</td>
<td>2.20p</td>
</tr>
<tr>
<td>Diluted Loss/(Earnings)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per ordinary share</td>
<td>70.47p</td>
<td>(0.09)p</td>
<td>2.20p</td>
</tr>
<tr>
<td>Total assets</td>
<td>16,569,362</td>
<td>82,908,632</td>
<td>69,872,753</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(29,460,247)</td>
<td>(6,942,607)</td>
<td>(1,905,251)</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>(12,890,886)</td>
<td>75,966,025</td>
<td>67,967,502</td>
</tr>
</tbody>
</table>

The gain in fiscal 2007 compared to fiscal 2006 relates primarily to higher interest income of £3.0 million earned in fiscal 2007 compared to £1.6 million in fiscal 2006 and foreign exchange gains of £275,811 realized in fiscal 2007 compared to foreign exchange losses of £2,103,070 in fiscal 2006. Please see “Overall Financial Performance for Fiscal 2008” in this MD&A for a detailed description of the fiscal 2008 loss compared to the fiscal 2007 gain.

**SUMMARY OF QUARTERLY RESULTS**

The following table sets out selected financial data on the Company for the most recently completed eight quarters, which data has been prepared in accordance with applicable IFRS:

<table>
<thead>
<tr>
<th></th>
<th>Q4 31 Dec. 2008 (£)</th>
<th>Q3 30 Sept. 2008 (£)</th>
<th>Q2 30 June 2008 (£)</th>
<th>Q1 31 March 2008 (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>(59,300)</td>
<td>(244,220)</td>
<td>(581,024)</td>
<td>(474,632)</td>
</tr>
<tr>
<td>Net loss /(profit)after tax</td>
<td>56,907,340</td>
<td>43,154,703</td>
<td>1,591,286</td>
<td>1,055,656</td>
</tr>
<tr>
<td>Basic loss/(earnings)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per ordinary share</td>
<td>39.05p</td>
<td>29.69p</td>
<td>1.10p</td>
<td>0.74p</td>
</tr>
<tr>
<td>Diluted loss /(earnings)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per ordinary share</td>
<td>39.05p</td>
<td>29.69p</td>
<td>1.10p</td>
<td>0.74p</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q4 31 Dec. 2007 (£)</th>
<th>Q3 30 Sept. 2007 (£)</th>
<th>Q2 30 June 2007 (£)</th>
<th>Q1 31 March 2007 (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>(701,279)</td>
<td>(795,500)</td>
<td>(785,736)</td>
<td>(703,675)</td>
</tr>
<tr>
<td>Net loss /(profit)after tax</td>
<td>146,811</td>
<td>(393,693)</td>
<td>(49,761)</td>
<td>179,234</td>
</tr>
<tr>
<td>Basic loss/(earnings)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per ordinary share</td>
<td>0.11p</td>
<td>(0.28)p</td>
<td>(0.04)p</td>
<td>0.14p</td>
</tr>
<tr>
<td>Diluted loss /(earnings)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per ordinary share</td>
<td>0.11p</td>
<td>(0.26)p</td>
<td>(0.04)p</td>
<td>0.14p</td>
</tr>
</tbody>
</table>
Please review the discussion under the heading “Overall Financial Performance for the Three Months Ended 31 December 2008” in this MD&A for an explanation of the financial results, impairment provision of the Mowana property plant and equipment and deferred exploration and exchange gains/losses and related period-to-period changes for the three and twelve-month periods ended 31 December 2008.

Fluctuations in the Company’s expenditures reflect increases in corporate administrative costs and professional fees associated with seasonal corporate filing and regulatory activities. Specifically, the increased costs related to the preparation of year-end audit files and annual meeting materials, as well as the impact of year-end audit adjustments to financial statements. Other fluctuations in quarterly expenditures relate to increasing administration costs at the Company’s Botswana subsidiary as it anticipates commercial production commencing at the Mowana Mine. Expenditures on additional personnel and infrastructure were incurred establishing finance, human resource and safety and health departments.

In addition, the Company maintains cash resources in foreign currencies which have resulted in currency exposure with respect to items denominated in foreign currencies. In particular a foreign currency gain of £253,175 was recognized in the fourth quarter of 2007 and offset by a foreign currency loss of £798,123 in the first quarter of 2008 on fluctuations in the value of Sterling to Rand. During the periods referenced above the Company held Rand to finance planned Rand denominated expenditures for the Mowana Mine Development.

Other quarterly changes occurred as a result of hedging losses incurred on copper put contracts. Put contracts which are deemed to be not effective hedges, are measured at fair value, with the movement in fair value being recognized in the consolidated income statement. During the fourth quarter of 2007 a loss of £406,231 was recognized and during the second and third quarter of 2008 a cumulative loss of £1,545,608 was recognized as hedging losses.

**LIQUIDITY AND CAPITAL RESOURCES**

At 31 December 2008, the Company had cash and cash equivalents of £1.76 million (31 December 2007 - £22.4 million) and a working capital deficit of £23.3 million compared to a positive working capital position of £19.7 million at 31 December 2007. Due to Group’s working capital deficit at 31 December 2008, Messina is in technical breach of the Botswana Bond. As a result the Botswana Bond (totaling £13.5 million) has been reclassified to current liabilities from non-current liabilities.

The Group does not have sufficient cash or debt facilities to pay its existing liabilities or fund future operations. As a result the Group is seeking to raise at least US$15.0 million of additional funding and has entered into discussions with the Creditors regarding debt compromise agreements. The failure to conclude the foregoing would raise significant doubt over the Group’s ability to continue as a going concern and to meet its obligations as they become due and, accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. In response to the Group’s working capital deficit, on 21 January 2009 the Mowana Mine was placed on care and maintenance pending the finalization of negotiations to obtain the necessary funding.

During the fourth quarter of 2008, the Company announced initiatives focused on reducing costs and expenditures in order to survive in the lower copper price environment. These initiatives included: selling all of the Company’s existing copper put contracts to generate US$ 4.75 million, suspension of mining operations at the Mowana Mine, utilizing existing ore stockpiles for processing, curtailment of capital projects and exploration, reducing operating and administrative costs for only essential operations and negotiations with Creditors regarding compromise of debt agreements.

On 16 March 2009 the Company announced that it had signed an agreement with Natasa to assist the Group to meet its immediate and critical working capital requirements. Under the terms of the agreement, Natasa made available the Bridge Loan, to be repaid out of a proposed Equity Placement and funds advanced to the Company pursuant to the Debt Facility. The Financing is subject to a number of conditions precedent prior to closing including: African Copper shareholder approval;
agreement of legal documentation in relation to the Debt Facility; the delisting of African Copper from the Toronto Stock Exchange; and the Company’s subsidiaries arranging debt settlement agreements with the Creditors. The Financing will be utilised by African Copper to settle in full its existing liabilities (including the proposed debt compromise agreements with the Creditors), repay the Bridge Loan and provide at least US$3 million in working capital. In the event that the remaining working capital balance is US$2.5 million (and not US$3 million stated above), the amount of the Debt Facility will be increased to US$9.5 million and the amount of the Equity Placement will be reduced to US$6.0 million. In the event that the remaining working capital balance falls between US$3 million and US$2.5 million, the amounts referred to above will be adjusted on a pro rata basis. Including the proposed debt compromise agreements with the Creditors (described below) the current Group liabilities exceed US$12.5 million (thereby providing less than US$2.5 million working capital) and there is no certainty the Group can arrange further debt settlement agreements with other trade creditors to allow Group liabilities to be extinguished in full and allow a remaining working capital balance of US$2.5 million as described above.

As part of the Financing it is proposed that African Copper will pay to the Creditors the sum of £4.3 million (US$5.9 million) representing approximately 20 per cent of the amount owed to them. This payment will be funded from the proceeds of the Financing. In addition it is proposed that the Company will issue to the Creditors 530,951,614 new ordinary shares at a deemed price of 3.2 pence per ordinary share in satisfaction of the balance of the £17.1 million (US$23.7 million) owed to them.

The Directors have aggressively pursued financing alternatives for the Company over the past seven (7) months and have held advanced discussions with a number of finance providers. Having regard to the requirements of the Creditors, the Directors determined that the proposed terms of investment by Natasa were the best terms available to the Company. In deciding to enter the Bridge Loan and the proposed arrangements with Natasa in preference to other possible options available, the Board was, in view of the Company’s financial position, advised that it must primarily have regard to the interest of the Group’s creditors, rather than the interests of the Company’s shareholders. The Creditors indicated that the proposed transaction with Natasa was preferred by them above the other possible options. If the Company is unable to complete the proposed transaction with Natasa, the Directors believe the Company will be unable (in the absence of immediate alternative funding) to avoid formal insolvency proceedings.

In view of the fact that the Debt Facility and Equity Facility are subject to the agreement of formal documentation, and the fact that the availability of the funds pursuant to the Debt Facility and Equity Placement are subject to a number of conditions precedent, including debt compromise agreements with the Creditors and African Copper shareholder approval, no assurance can be given that any funds will be advanced to and/or raised by the Company pursuant to the Debt Facility and/or the Equity Placement.

As part of the 5-year mining contract (the “Moolman Contract”) for the Mowana Mine, in August 2007 Pula 50 million (£3.95 million) was lodged by Messina in favour of Moolman as security for Messina’s obligations under the Moolman Contract. At the request of Messina, on 29 July 2008, Moolman released such funds and Messina agreed to re-instate such security by 30 June 2009 (see Contractual Obligations table below). In consideration for the release of such funds, Messina granted Moolman a lien over the run of mine ore, ore stockpiles and copper concentrate at the Mowana site. As a condition to the completion of the Financing, debt compromise agreements with the Creditors, including Moolman, are required to be entered into. It is proposed that African Copper will pay Moolman approximately 20 per cent of the amount owed to them in cash and will issue to Moolman new ordinary shares in satisfaction of the balance of the 80% owed to Moolman (a portion of the 530,951,614 new ordinary shares to be issued to the Creditors). As part of this debt compromise with Moolman, Moolman will agree to terminate the Moolman Contract with no termination fee and release the lien over the run of mine ore, ore stockpiles and copper concentrate at the Mowana Mine.

One of the significant contractual obligations of the Company relates to a commitment in respect of a payment guarantee to Moolman as security for Messina’s obligations under the Contract, a condition of which will not be payable under the debt compromise agreement with Moolman.
At 31 December 2008, commitments under such agreements total £10.1 million:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Total 2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 and thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, services and equipment (a)</td>
<td>2,110</td>
<td>2,110</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mining contract bank guarantee (b)</td>
<td>4,534</td>
<td>4,534</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exploration licences (c)</td>
<td>669</td>
<td>487</td>
<td>91</td>
<td>91</td>
<td>-</td>
</tr>
<tr>
<td>Mining licence</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Lease agreements (d)</td>
<td>344</td>
<td>216</td>
<td>87</td>
<td>41</td>
<td>-</td>
</tr>
<tr>
<td>Asset retirement obligations (e)</td>
<td>2,426</td>
<td>161</td>
<td>223</td>
<td>302</td>
<td>350</td>
</tr>
<tr>
<td></td>
<td>10,090</td>
<td>7,509</td>
<td>402</td>
<td>435</td>
<td>354</td>
</tr>
</tbody>
</table>

(a) The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services and equipment. The primary commitments relate to the engineering, procurement, construction and management contract ("EPCM") for the construction of the flotation concentrator and related housing and mine facilities at the Mowana Mine.

(b) As part of the Moolman Contract in August 2007 Pula 50 million (£3.8 million) was lodged by Messina in favour of Moolman as security for Messina’s obligations under the Moolman Contract. At the request of Messina, on 29 July 2008, Moolman released such funds and Messina agreed to re-instate such security by 30 June 2009. In consideration for the release of such funds, Messina granted Moolman a lien over the run of mine ore, ore stockpiles and copper concentrate at the Mowana site.

(c) Under the terms of the Company’s exploration licences Matsitama is obliged to incur certain minimum expenditures.

(d) The Company has entered into agreements for lease premises for various periods until 5 November 2010.

(e) The Company estimates the total discounted amount of cash flows required to settle its asset retirement obligations at 31 December 2008 is £2,426,399. Under the terms of the Mining Licence, by the end of the first financial year in which copper is produced and sold, the Company must establish a trust fund to provide for rehabilitation of the Mowana Mine site once the mine closes. The Company will annually make contributions to this fund over the life of the mine so that these capital contributions together with the investment income earned will cover the anticipated costs. At the end of each financial year the Company will reassess the estimated remaining life of mine as well as the cost to rehabilitate the mine site and adjust its annual contributions accordingly.

At 31 December 2008, outstanding share options and underwriter’s options represented a total of 11,215,000 ordinary shares issuable for maximum aggregate proceeds of £8,646,550 if and when exercised.

PROPOSED TRANSACTIONS

As described above under the Liquidity section of this MD&A, on 16 March 2009 the Company announced that it had signed an agreement with Natasa to assist the Group to meet its immediate and critical working capital requirements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

The Company was charged £18,369 (2007 - £20,252) for the three months ended 31 December 2008 and £75,549 (2007 - £79,064) for the year ended 31 December 2008 by Summit Resource Management Limited, a company controlled by D. Jones, a director and the Deputy Chairman of the Company, for the provision of fully-serviced office accommodation in Canada and reimbursed
expenses. Accounts payable at 31 December 2008 were £103 (2007 - £5,288). The services are provided under a one year contract that expires on 1 September 2009.

The Company entered into an agreement with Pickax International Corporation ("Pickax") and Joseph Hamilton on 1 July 2006 pursuant to which Pickax agreed to cause Joseph Hamilton to provide services to the Company, in the capacity of Chief Operating Officer. Pickax is a corporation controlled by Joseph Hamilton. The agreement replaced an existing executive services agreement on materially the same terms and conditions and was subsequently amended to reflect Mr. Hamilton's appointment as Chief Executive Officer of the Company. On 12 June 2008 the Company signed a leaving agreement (the "Leaving Agreement") with Pickax and Joseph Hamilton who resigned as a director and Chief Executive Officer of the Company and was paid £173,040 (inclusive of Canadian Goods and Services Tax) as compensation for loss of office. Including the Leaving Agreement payment, the Company paid nil amount (2007: £41,200) during the three months ended 31 December 2008 and £233,000 (2007: £164,800) during the year ended 31 December 2008 to Pickax.

The Company was charged £10,747 (2007 - £nil) for the three months ended 31 December 2008 and £82,547 (2007 - £100,646) for the year ended 31 December 2008 by Aegis Instruments, Micromine and MGE Consulting, companies controlled by Simon Bate, a director of a subsidiary, in respect of provision of geophysical and geological consulting, administration services and reimbursed expenses. Accounts payable at 31 December 2008 were £80,669 (2007 - £27,482).

These related party transactions were in the normal course of operations and were measured at the exchange amounts.

RISKS

The following risk factors should be considered in assessing the Company's activities. Should any one or more of these risks occur, it could have a material adverse effect on the business, prospects, assets, financial position or operating results of the Company. The risks noted below do not necessarily comprise all those faced by the Company. Additional risks not currently known to the Company or that the Company currently deems would not likely influence an investor's decision to purchase securities of the Company may also impact the Company's business, prospects, assets, financial position or operating results.

Risks Associated with Working Capital Deficit and Completing the Financing

The Group requires immediate additional financing to meet its working capital deficit and therefore does not have sufficient cash or debt facilities to pay its existing liabilities or fund future operations. The Company's ability to meet its obligations and continue as a going concern is dependent on its ability to complete the Financing, re-commence operations at the Mowana Mine and subsequently generate positive cashflow from such operations. There can be no assurance that the Company will be successful in negotiating and entering into the definitive Equity Placement, Debt Facility and Debt for Equity Agreements.

The closing of the Financing is subject to a number of conditions precedent including African Copper shareholder approval, agreement of legal documentation in relation to the Debt Facility; the delisting of African Copper from the Toronto Stock Exchange; and the Company's subsidiaries arranging debt settlement agreements with the Creditors such that the Financing will enable the Group liabilities, other than arising from the Debt Facility, to be extinguished in full and allow a remaining cash balance of at least US$3 million to be held by the Group. In the event the remaining cash balance is US$2.5 million (and not US$3 million), the amount of the Debt Facility will be increased to US$9.5 million and the amount of the Equity Placement will be reduced to US$6 million. In the event that the remaining cash balance is between US$3 million and US$2.5 million, the amounts referred to above will be adjusted on a pro rata basis.

There can be no assurance that any of the conditions precedent to the Financing will be fulfilled and therefore the Financing closed. In particular:
The terms of the Financing involve substantial dilution to existing shareholders. Following completion of the Equity Placement, the Company's enlarged issued share capital is expected to comprise 2,259,368,569 new ordinary shares with current ordinary African Copper shareholders owning 6.5%. In light of this, there can be no assurance that the shareholders of the Company will approve the Financing.

It is a condition that all Group debts, other than arising from the Debt Facility, be extinguished in full following the closing of the Financing and that at least a US$3.0 million cash balance (the “Working Capital Amount”) will remain from the proceeds of the Financing following the discharge of such debts. Taking account of the proposed debt compromise agreements with the Creditors (described in the Liquidity and Capital Resources Section of this MD&A) the current Group liabilities exceed US$12.0 million (thereby providing less than US$ 3.0 million working capital) and there is no certainty that the Group can arrange further debt settlement agreements with other trade creditors to allow Group liabilities to be extinguished in full and allow a remaining working capital balance of US$3.0 million as described above.

Should the African Copper shareholders not approve the Financing and/or the Company is unable to complete the proposed transaction with Natasa, the Company will not be able to avoid formal insolvency proceedings (in the absence of immediate alternative funding), and in such event it is unlikely that there will be any assets available for distribution to shareholders.

If the Financing is completed, there is no assurance that the Working Capital Amount will be sufficient to re-commence operations at the Mowana Mine and provide the Mowana Mine sufficient working capital to be able to generate future positive cashflow from operations. Following the completion of the Financing, the mine plans at Mowana will be reviewed in order to optimize these and the Directors anticipate that further funding will be required before production may be recommenced at the Mowana Mine. The Directors expect that such funding will be provided by Natasa but the terms of any further funding will be subject to separate commercial negotiation between the Company and Natasa once the mine plans have been completed and the timing and amount of such funds necessary is known. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

**If the Financing completes, the Company will be controlled by Natasa**

In the event that the Financing is implemented in full, Natasa will own 70 per cent. of the enlarged share capital of the Company, will have security over the Company's principal asset, the Mowana Mine and will control the Board. Accordingly, Natasa will control the direction of the Company. Following implementation of the Financing, there will be no limit or restrictions on the ability of Natasa to acquire further shares in the Company. With an additional five per cent. of the ordinary share capital, Natasa would also be able to pass special resolutions at Shareholder meetings of the Company and in practice Natasa is likely to be able to pass special resolutions with a shareholding of 70 per cent. in view of the fact that the remaining 30 per cent. of the Ordinary Shares are unlikely to be voted in full at general meetings of the Company. If Natasa is able to pass special resolutions, this would mean that it could, inter alia:

- change the constitution of the Company and the capital structure of the Company;
- issue further shares to itself at a price to be determined by Natasa which may be significantly dilutive to Shareholders’ interests;
- dispose of the Company’s assets;
- cancel the Company’s trading facility on AIM.
The Company currently depends significantly on a single project, the Mowana Mine

The Company’s activities are focused primarily on the Mowana Mine. Any further adverse changes or developments affecting this project would have a material and adverse effect on the Company’s business, financial condition, working capital and results of operations.

The development of the Mowana Mine into a commercial operation and its economic viability cannot be guaranteed

The Mowana Mine has recently been commissioned and the ramp-up into commercial production is not complete. On 21 January 2009 the Mowana Mine was placed on care and maintenance pending raising of additional financing to meet its working capital deficit and fund future operations.

In general, new mining operations that are commencing commercial operations have no operating history upon which to base estimates of future cash operating costs. For new mines such as the Mowana Mine, estimates of mineral resources and mineral reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used, in part, to calculate estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors.

Operating costs are dependent on the costs of various reagents, supplies, spares and labour. While open pit mining costs can sometimes be better estimated than underground mining costs, they are also very dependent on fuel, tyre and maintenance costs, mining rates, equipment configuration, foreign currency exchange rates and availability of skilled labour.

There can be no assurance that the Company will re-commence commercial production or that future cash operating costs will equal estimates due to, among other things, actual tonnages and grades, recovery rates, changes in the economics, delays caused by equipment breakdown, cost overruns and availability of power from South Africa. The continued shut down of the Mowana Mine or, after commercial production re-commences, any reduction in tonnages, grades and/or recovery rates and overruns in operating costs could have a material adverse effect on the Company’s business, working capital and financial condition.

There can be no assurance that the personnel, systems, procedures and controls currently operated by the existing management team or established by the new operating team after completion of the Financing, as applicable, will be adequate to support the Company’s operations.

The capital and operating cost estimates for the Mowana Mine are estimates only and may not reflect the actual capital and operating costs incurred by the Company

There can be no assurance that the actual ore and waste mining costs, transportation and processing costs incurred by the Company will not be greater than currently estimated. Operating cost estimates include supplies and inputs, the cost of which the Company has little control over. These include, but are not limited to, transportation and handling charges, the cost of fuel, the cost of electricity, labour costs, reagent costs, smelter charges, the price of construction materials including steel, and the cost of mining equipment and spares. A material increase in one or more of these supplies and inputs may materially increase the actual capital and/or operating costs incurred by the Company. Any material increase may cause the Mowana Mine to become economically unviable or result in additional delays in the completion of the development of the project, either of which would have a material adverse effect on the Company’s business, financial condition, working capital and results of operations.

Copper price volatility may affect the production, profitability, cash flow and financial position of the Company

The Company’s revenues will be derived from the extraction and sale of copper concentrate. The Company sold its existing put contracts on 12 November 2008 and has not entered into any further hedge agreements in respect of copper at this time. Such contracts would mitigate gains and losses in situations when the price changes. The price of copper has fluctuated widely in recent years and
has recently been under severe pressure as the global credit crisis has impacted changes in the worldwide balance of copper supply and demand, largely resulting from slower current and forecasted economic growth and weaker consumption, including by China which had in the recent past supported higher copper prices due to its economic growth during such time. The price of copper is affected by numerous factors beyond the Company’s control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of copper, and therefore the current or future economic viability of the Mowana Mine and any other of the Company’s projects, cannot accurately be predicted. The potential profitability of the Company is significantly affected by the price of copper and any further decreases in the prevailing price of copper for any significant period of time would have an adverse and material impact on the economic evaluations contained in this MD&A and on the Company’s results of operations, working capital and financial conditions, as well as the economic viability of the Company’s projects.

Nominated Adviser

The Company’s current broker and nominated adviser, Numis Securities Limited (“Numis”), has expressed its intention to resign at the same time as the Company’s existing Directors step down from the Board if the proposals with Natasa are completed. The Company anticipates being able to find a new nominated adviser to replace Numis. However, should the Company be unable to appoint a new nominated adviser to replace Numis at the relevant time, the Company would be suspended from trading on AIM until a new appointment occurs. If no such appointment is made within one month, the Company’s AIM quotation would be cancelled.

Should the Company’s AIM quotation be cancelled as a result of not appointing a new nominated advisor and the Company de-lists from the TSX, which is a condition precedent of the Financing, then the only public exchange that the Company’s ordinary shares would be traded upon would be the Botswana Stock Exchange. Liquidity on such exchange may be limited.

Future production will be subject to the normal risks of mining operations

The Company’s future mining operations, if re-commenced, are subject to all of the hazards and risks normally incidental to exploration, development and the production of copper.

The Company’s future mining activities may be subject to prolonged disruptions due to weather conditions, hazards such as unusual or unexpected geologic formations, flooding or other conditions that may be encountered in the drilling and removal of material. There may be a higher than normal risk of sourcing and hiring suitably trained plant management, operating and maintenance staff and these people may not be readily available in Botswana or not otherwise easily employed from within the Southern Africa region. This situation could also be impacted by delays in obtaining necessary work and other labour permits to allow expatriate expertise to be utilized to the extent necessary.

The Company’s copper concentrate will require smelting, and such smelting capacity may not be available or may adversely affect project economics

The production from the Mowana Mine is in the form of copper concentrate which needs to be treated at third-party smelters. The availability of smelter capacity is not guaranteed and costs of such treatment including related transportation cost to the smelter may adversely affect the economic viability of such production.

The Company relies on key personnel and its management team and outside contractors (including those in Botswana), and the loss of one or more of these persons may adversely affect the Company

The Company’s business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The Company has entered into employment agreements with certain of its key executives. The success of the Company is, and will continue to be,
to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

A condition to the Financing is that all existing African Copper directors resign and positions of existing staff of the Group will be made redundant except those positions as set out in writing by Natasa. Accordingly, no assurance can be given that following the completion of the Financing that Natasa will maintain existing staff or appoint new staff with the requisite expertise to operate the Group's business.

**Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions**

The Company conducts its operations through foreign subsidiaries, and substantially all of its assets are held in such entities. Accordingly any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist in the future, could have a material and adverse impact on the Company's business, financial condition, working capital and operations.

In addition, operating in foreign jurisdictions exposes the Company to the effects of political, economic or other risks, including changes in foreign laws (whether arbitrary or not), expropriation or nationalization of property, risks of loss due to civil strife, acts of war, insurrection or terrorism (including the effects of such acts which occur in neighbouring states), cancellation or renegotiation of contracts or the inability to enforce legal rights in the foreign jurisdiction.

**Government regulations may have an adverse effect on the Company**

The Company, its subsidiaries, its business and its operations are subject to various laws and regulations. The costs associated with compliance with such laws and regulations may cause substantial delays and require significant cash and financial expenditure, which may have a material adverse effect on the Company's business, financial condition, working capital, results of operations, and prospects and, in particular, the development of the Mowana Mine.

The Company's operations and its ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorisations from various governmental and quasi-governmental authorities. The Company believes that it currently holds or has applied for all necessary licences, permits and authorisations to carry on the activities that it is currently conducting and to hold the mineral rights it currently holds under applicable laws and regulations in effect at the present time, and also believes that it is complying in all material respects with the terms of such licences, permits and authorisations. However, the Company's ability to obtain, sustain or renew such licences, permits and authorisations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasigovernmental bodies and there can be no assurance that the Company will be able to obtain, sustain or renew any such licences, permits or authorisations on acceptable terms or at all.

**Currency fluctuations may adversely affect the costs that the Company incurs in its operations**

Copper is sold throughout the world, principally in US Dollars. The Company's costs are incurred primarily in Botswana Pula, and to a lesser extent in British Pounds Sterling, South African Rand and Canadian Dollars. Changes in the currency exchange rates of the US Dollar against the any of these currencies may affect the actual capital and operating costs of the Projects and will affect the results presented in the Company’s financial statements and cause its financial position to fluctuate. As well, such fluctuations may affect the cash flow that the Company hopes to realise from its operations. Accordingly, the Company is exposed to exchange rate fluctuations which could have a material adverse effect on the Company's business, financial condition, working capital, results of operations and prospects.

Further, there is no guarantee that the Government of Botswana will not impose restrictions on the convertibility of and obligations to remit and convert to local currency in future. Such fluctuations in foreign currency or restrictions on the convertibility of and obligations to remit and convert to the
currency of Botswana could have a material adverse effect on the Company’s business, financial condition, working capital, results of operations and prospects.

The prevalence of HIV/AIDS in Botswana may adversely impact the Company’s proposed mining operations

The per capita incidence of the HIV/AIDS virus in Botswana has been estimated as being very high, according to public sources. As such, HIV/AIDS remains the major healthcare challenge faced by Botswana and the Company’s operations in the country. If the number of new HIV/AIDS infections in Botswana continues to increase and if the Government of Botswana imposes more stringent obligations on employers related to HIV/AIDS prevention and treatment, the Company’s operations in Botswana and its profitability and financial condition could be adversely affected.

Insurance and uninsured risks

Although the Company maintains liability insurance against certain risks in an amount that it considers consistent with industry practice for a corporation in the development stage, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage, in which event the Company could incur significant costs that could have a material adverse effect upon the Company’s business, financial condition, working capital and/or results of operation. As well, there are risks against which the Company cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance which may be taken out or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting the Company’s financial condition, working capital and/or results of operation.

The Company has little operating history and a history of losses and there can be no assurance that the Company will ever be profitable

The Group requires immediate additional financing to meet its working capital deficit and therefore does not have sufficient cash or debt facilities to pay its existing liabilities or fund future operations. The Company’s ability to meet its obligations and continue as a going concern is dependent on its ability to complete the Financing, re-commence operations at the Mowana Mine and subsequently generate positive cashflow from such operations. The Company has no mineral properties from which any ore has ever been extracted and sold at commercial levels and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Company has not earned profits to date and there is no assurance that it will do so in the future.

The success of current and future exploration activities cannot be assured

Due to the Company’s working capital deficit and need to raise immediate financing all exploration on the Company’s properties has been curtailed and the majority of the exploration team has been retrenched. The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While discovery of a mineral structure may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenditure may be required to establish mineral reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that pre-feasibility studies or full feasibility studies on the projects or the current or proposed exploration programmes for the Projects will ever result in the discovery of an economically viable mineral deposit or in a profitable commercial mining operation.

Whether a copper deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of copper and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company’s projects not being, or ceasing to be, viable, which would have a material adverse effect on the Company’s business, financial condition, working capital and results of operations.
FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash and cash equivalents, receivables, payables and accrued liabilities, some of which are denominated in Sterling, Pula, and Rand, United States dollars and Canadian dollars. These accounts are recorded at cost which approximates their fair value at each reporting period end value in Sterling. The Company experiences financial gains or losses on these accounts as a result of foreign exchange movements against Sterling. The Company is exposed to currency risk related to the exploration and development expenditures on its Mowana and Matsitama projects since it settles the majority of these expenditures either in local currency Pula or Rand. These expenditures are negatively impacted by increases in value of either Pula or Rand versus Sterling. As mine development costs are incurred and purchase commitments made for the development of the Mowana Mine, the Company may acquire Pula and Rand or use derivative positions to lock in these costs in Sterling, if it believes it prudent to do so.

The Company has used copper put contracts to manage financial risks associated with its underlying business activities. On 12 November 2008 the Company exercised and sold the 2007 Puts generating total proceeds of £3.3 million (US$4.75 million). Based on the put exercise price of $US3.00 per pound the Company realized a net hedging gain of £346,670 for the twelve months ended 31 December 2008. Hedging losses had previously been recognized during fiscal 2007 and the nine months ended 30 September 2008 when copper was trading in excess of the put exercise price of $US 3.00 per pound.

In April 2008 Messina completed the Botswana Bond as described above under the heading Overall Financial Performance – Interest Expense. The Botswana Bond is denominated in Pula and is an unsecured fixed rate note that bears interest at 14.0% per annum and has a bullet maturity repayment in 7 years. Messina is required to make semi-annual interest payments on 2 April and 2 October of each year. On 2 October 2008 the required semi-annual interest payment was made. Due to Group’s working capital deficit at 31 December 2008, Messina is in technical breach of the Botswana Bond. As a result the Botswana Bond, totaling £13.5 million, has been reclassified to current liabilities from non-current liabilities.

The Company has placed its cash and cash equivalents in short-term liquid deposits or investments which provide interest at market rates.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to financial and operational conditions impacting disclosure for the year ended 31 December 2008 is made known to them. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer have, as at the December 31, 2008 financial year end:

(a) designed disclosure controls and procedures, or caused it to be designed under the Company’s supervision, to provide reasonable assurance that:

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed Internal Controls over Financial Reporting, or caused it to be designed under the Company’s supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

All reasonable controls have been implemented and are operating effectively as designed to prevent and detect any material fraud and misstatement.
Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of internal controls over financial reporting. The design includes policies and procedures that:

- Pertain to the maintenance of records;
- Provide reasonable assurance that transactions are recorded accurately and that receipts and expenditures are made in accordance with the authorizations of management and directors; and
- Provide reasonable assurance in the prevention and timely detection of material unauthorized acquisition, use or disposal of the Company’s assets.

On an annual basis, management evaluates the effectiveness of internal controls over financial reporting. The Company’s internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission (‘COSO’) framework to assess the effectiveness of the Company’s internal controls over financial reporting. Management conducted an evaluation of the effectiveness of internal controls over financial reporting and concluded that they were effective as at December 31, 2008.

During the year ended 31 December 2008 there were no changes in the Company’s internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting and decisions regarding required disclosure.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following details the share capital structure as of the date of this MD&A.

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FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, the anticipated terms of the Equity Placement, the Debt Facility and the Debt for Equity Agreement and the expected results of completing each such transaction, including the amount of the cash balance anticipated to be retained by the Company for working capital purposes following the completion of the transactions and the Company’s expectation that such amount will be sufficient to meet the Company’s working capital requirements, the anticipated dilutive effect of the Equity Placement and the Debt for Equity Agreement on the holders of ordinary shares, the Company’s intention to delist the ordinary shares from the Toronto Stock Exchange, the Company’s expectation that Natasa will continue to develop the Mowana mine towards commercial production following the completion of the proposed transactions, the anticipated shareholder value that may result from the proposed transactions, and
other statements which are not historical facts) are forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, the Company failing to complete the Equity Placement and Debt Facility and failing to enter into the Debt for Equity Agreement, the amount of the cash balance anticipated to be retained by the Company for working capital purposes following the completion of the transactions being insufficient for the Company's working capital requirements, the Company not being able to pay any interest owing under the Bridge Loan, as well as to repay the principal amount of the Bridge Loan, in the event it fails to complete the Equity Placement, Debt Facility and Debt for Equity Agreement prior to the Repayment Date, the Company's failure to obtain shareholder approval and any other regulatory approval and/or consent which may be required in order to complete the proposed transactions, changes in commodity prices and world copper markets and equity and/or debt markets, political developments and risks in Botswana, fluctuations in currency exchange rates, inflation, changes to regulations affecting the Company's activities, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting drilling results and other geological data, uncertainty regarding failure to convert estimated mineral resources to reserves, the possibility that actual circumstances will differ from the estimates and assumptions used in the mining plan for the Mowana Mine (there is no certainty that the production schedule, recoveries and/or operating costs proposed will be achieved), the grade and recovery of ore which is mined varying from estimates, the capital and operating costs varying significantly from estimates, delays in the development of projects and the other risks involved in the mineral exploration and development industry disclosed in the Company's most recent annual information form filed on SEDAR at www.sedar.com. All forward-looking information speaks only as of the date hereof and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that its expectations reflected in the forward-looking information, as well as the assumptions inherent therein, are reasonable, forward-looking information is not a guarantee of future performance and, accordingly, undue reliance should not be put on such information due to the inherent uncertainty therein.

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