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African Consolidated Resources Plc
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African Consolidated Resources plc
Interim Report
for the six months ended 30 September 2009

FINANCIAL HIGHLIGHTS

- * Loss of £0.774m to 30 September 2009 as exploration programmes continue.
- * Cash balance of £2.306m at 30 September 2009.
- * 42.022 m new ordinary shares issued, raising net proceeds of £2.348m after expenses.
- * Share capital increased by £0.560m, made up of:

	<u>Shares (m)</u>	<u>£m</u>
Private placement	42.022	0.420
Share options exercised	2.000	0.020
Employee benefit trust (EBT)	12.000	0.120
Total	56.022	0.560

EXPLORATION AND DEVELOPMENT HIGHLIGHTS

- * Conclusion of tolling contract on sulphide concentrate dump at Pickstone with TWP Holdings Ltd.
- * Significant intercepts on Peerless oxide cap.
- * Interpretation of results indicating that gold mineralization along Gadzema Belt is more continuous and predictable than previously expected.
- * Encouraging phosphate grade at Chishanya (14% P₂O₅ at a 2% cut off).
- * Zimbabwe High Court decision in favour of ACR re Marange diamond claims, but now under appeal by Government.

CHIEF EXECUTIVE'S STATEMENT

Our Annual Report published just four months ago, included an up-to-date and detailed comment, on our strategy, the world economy, the state of affairs in Zimbabwe and some details on our projects. In light of that and the separate publication today of a detailed technical report, I would like to simply highlight significant developments since my last report.

Strategy – Continuing Evolution

On the financial side, the world markets have recovered surprisingly swiftly, especially in the resource sector. That fact, coupled with the Zimbabwean environment that exists today, led our Board to the conclusion that we ought

to up the tempo of project development while accelerating resource definition work on several key projects. The results of our highly productive exploration team together with that same market recovery has allowed an improvement in ACR's share price and this in turn gave the Board the comfort to raise a significant sum of equity funds to finance the agreed development programmes. More specifically, we were extremely pleased at the overwhelming response to our recent placement where our upper maximum was oversubscribed and investor orders were scaled back. We were glad to attract several new investors including two significant new funds.

This fund-raising accompanied as it was by strong market and shareholder support, places the company in a very strong position to write a new chapter in its history, one which is very much in keeping with our long term vision.

Priority Considerations

An early part of our long-term strategy was to be a multi-mineral company and shareholders will no doubt recall our statements in this regard, especially the counter-balancing relationship some commodities have to others. In other words, the same factors that may negatively affect price in one mineral might positively affect others (for example, nickel prices may drop in a recession due to reduced demand for stainless steel, while causes of that same recession could simultaneously trigger a flight to monetary safety, rises in gold demand and hence the gold price). While we are conscious of the dangers of flip-flopping rapidly between projects, we must make qualified calls on where the greatest medium to long-term benefits will arise from short-term investment. That is indeed a core part of management function in this industry.

Now that we have the cash resources in hand, emphasis will be given to projects that are rated highest priority in a matrix we favour which is weighted with various factors including mineral price rating (5-year outlook), proximity to production, cost-effectiveness of expenditure, practical constraints and approximate, relative NPV's.

Gold

It is not difficult to predict that on the back of our defined assets together with current trends, our more advanced and larger gold projects will naturally rise to the surface in such a matrix and therefore we will be aiming much of our effort towards defining resources and resource expansions at our Gadzema Belt (ie Blue Rock, Giant mines and strike extensions) and Pickstone-Peerless ore bodies. In this regard drilling will commence in the first week of December 2009. Other gold projects will not be orphaned and we will continue advancing these up the value chain, especially the very promising Chakari-North Greenstone Belt which has yielded strong geochemical signatures in several areas. Geophysics and exploratory drilling is planned for 2010.

We will commence gold extraction from one of the tailings dumps at Pickstone under an outsourcing arrangement with the JSE-listed TWP Group – effectively a tolling agreement. This is ACR's first extraction of cash value from a mineral asset and the post tax and royalty cash flow, which is expected to exceed USD400,000 per month at a gold price of USD 950 per oz (significantly below the current gold price), will contribute significantly to advance other projects towards pre-feasibility. Much of the capital expenditure risk will be borne by our tolling partner and the plant and equipment will be deployable for future projects on and off the current site, in partnership with TWP.

Scoping work on the Peerless trend to define a first phase mining pit has commenced with some limited drilling commissioned to acquire samples for metallurgical testing now complete. Confirmation of known mineralisation was received with significant intercepts including 37m at 4.1 g/t Au, 24 metres at 2.9 g/t Au and 12 metres at 10.8 g/t Au. Pit-shell modelling on different gold price-points is expected to be completed soon and a desktop feasibility study will be completed on possible use of existing plant and infrastructure to enable the development of a mining programme.

Rock Phosphate

This scarce food and bio-fuel linked resource has no substitute as it is part of a fundamental requirement of plant and animal growth. ACR has discovered what we believe to be a significant tonnage of raw material, igneous rock phosphate with some high-grade zones. The setting is within a facies of a large carbonatite intrusion which may also carry REE (Rare Earth Elements) credits. Our re-calculated grades of surface rock chip samples (post our assay cross-checking exercise) returned an average grade of 14% phosphate at a 2% grade cut-off - with phosphate being expressed in the form P₂O₅ – Phosphorous Pentoxide. This is better than originally thought and particularly encouraging news. Pit sampling operations are currently underway to better grasp the surface expression of the deposit. We are targeting a large open-pittable resource which is anticipated to have a low-cost mining profile. Drilling to define a JORC-compliant resource will commence Q1 or Q2 2010 subject to good

exploration-drilling and trenching results. Initial thinking indicates that a potential mining operation would most likely include the upgrading of the ore through flotation methods. Further potential for near-mine value-addition will be the subject of intense research in the near future. Our exploration team and Board have a high regard for the quality and scale of this project.

Nickel

Our two nickel projects remain important in spite of recent (and we believe short-term) nickel price weakness. There are precious few nickel sulphide prospects of significant scale in the world and our Perseverance trend project appears to be an extremely attractive one. We intend completing the long-planned, airborne electro-magnetic survey to finalise our drilling targets. Subject to results we will commence drilling of specifically targeted exploration holes in or around Q3 2010. Should we intercept significant nickel grades we will most likely undertake a resource definition phase directly thereafter. A note of reminder is that the massive sulphides of the historical Perseverance mine on the northern limb of the 30km-long structure graded between 2 and 10% while the disseminated sulphides averaged 0.5%, a blend yielding an average head grade of 1% with a copper credit value of 0.4% average. ACR has identified thrust repetitions of the originally-recognised ultramafic sill and is the first company to ever control most of the ground. The application of modern techniques in exploration is well underway. We have a high degree of optimism with regards to the prospectivity of this belt.

If share price is accepted as an indication, nickel laterite prospects have lost their shine in the view of the stock markets, due largely to their complexity in metal extraction and the resultant negative effect of the current, relatively low level in nickel metal prices. However, recent developments in atmospheric heap-leach technology mean that some ores can be treated effectively by heap-leaching rather than the more expensive and complicated High Pressure Acid Leach (HPAL) route. Savings in capital and operating expenditure are significant, while hurdle grades and tonnage thresholds are much lower. One such amenable deposit appears to be the saprolitic oxides found in the northern Great Dyke of Zimbabwe, more specifically on ACR's Horse Shoe nickel project. Important considerations in attempting to value this project include:

- * ease of access,
- * probable low mining costs with nearly 1% grade to 2 metre depth;
- * large scale of probable resource, target >200,000 tonnes contained Ni metal;
- * proximity to infrastructure; and
- * close proximity to a large, high-grade pyrite mine which could offer a sulphuric acid source.

Possibly more important are the existing results of tests that strongly indicate that the low-magnesium ore will be amenable to atmospheric leach extraction methods with basic testing implying an extraction rate of over 90% Ni within 40 days. With these factors in mind we have decided to progress this target to resource definition, rapidly followed by pre-feasibility work with a view to recruiting a mining partner in the near future. This programme will be commenced in late 2010.

PGE's, Copper & Other Targets

Other projects which will be the target for exploratory drilling with the potential for subsequent resource definition will include:

* ACR's Cedric copper tenements are located in the Makonde Copperbelt, a highly-prospective zone of the Makonde Basin which is an older analogue of the Congo and Zambian copperbelt basins. The Makonde Copperbelt rocks are remarkably similar to those in the Congo Copperbelt. The Makonde hosts the largest copper mines in Zimbabwe (now all on care and maintenance) and this belt provides a significant opportunity for the application of modern techniques and modern geological understanding of mineralisation using new understanding of the Zambia and Congo models. As we have done with other minerals and geological terrains in Zimbabwe, ACR has recently applied such an approach and we hope that the initial discovery of the Cedric deposit is an indicator of future possibilities.

* The newly recognised northern facies of the Snakes Head PGE deposit is a further target for initial exploratory drilling to determine the validity of the theory that this zone contains the oft-predicted high grade sequence within the Main Sulphide Zone which provides the ore in the other chambers currently in production under subsidiaries of Implats and Aquarius Platinum.

* The Chakari Greenstone Belt as described above for gold mineralisation;

* A possible extension to the Tati nickel belt of Botswana that lies inside claims mostly controlled by ACR on the Zimbabwean side of the border is under second-phase field study. The greater target area will most likely be further researched using detailed geochemistry and geophysics (both magnetic and electro-magnetic surveys under consideration). Pending positive results we hope to identify and drill targets in that area;

* Geophysical surveys and limited drilling through sedimentary cover may be undertaken at the directors' discretion in certain cases with a view to locating kimberlites from vegetation, magnetic or geochemical anomalies.

Diamonds

The national and corporate issues outstanding at the Marange diamond fields desperately need an equitable resolution to avoid unnecessary further tarnishing of Zimbabwe's image and attractiveness to foreign investors. In spite of a clear High Court ruling, the denial of access to ACR while third parties seek to establish a commercial mining operation continues. Setting aside this obvious frustration, we continue to engage all possible offices of Government and remain determined to achieve a fair and transparent arrangement to develop this national asset. We note with dismay the growing rejection of Zimbabwean diamonds in the world market which clearly emanates from the apparent disrespect for law.

In my opinion, Zimbabwe has the potential for many diamond mines including within, but certainly not limited to, the greater Marange area. Whether *credible* foreign resources and expertise can be attracted to find and develop this economically strategic mineral in the country will depend on the manner in which the Marange matter is resolved. This issue is recognised as a test-case for the rule of law and a benchmark against which the sincerity of commitment made by the Government to respect mining title may be measured. We as ACR stand waiting to accelerate and progress work on many areas of the country where I am highly optimistic about the likelihood of discovery of diamondiferous deposits.

I regularly promote the virtues and potential of Zimbabwe to the resource industry and to investors around the globe. I continue this effort in the fervent belief that justice and truth will always prevail and that Zimbabwe will soon be recognised once again as a nation open for business.

Corporate

As can be seen from the Balance Sheet cash at 30 September 2009 stood at approximately £2.3 million as compared with £1.5 million at 31 March. Exploration expenditure in the six month period amounted to some £850,000 and administration expenses amounted to some £750,000. The increase in cash and the expenditure was financed mainly through a placing in April which realized approximately £2.3 million after expenses.

Cash resources have now increased substantially following the raising of £9.6 million after costs in the recent placement. This together with the expected revenue from the tailings dump will enable us to meet both our planned increased exploration and project development expenditure and to allow for a significant element of discretionary expenditure as situations unfold.

Conclusion

Progress has been made in the political situation and progress has most definitely been made by ACR on the technical and value-addition fronts. As a team we have grown in efficiency, maturity and focus on our long term goals. A successful placing has ensured we have adequate funding for an aggressive phase of building our balance sheet, still maintaining a firm eye on the growing proximity to extraction of value from our multiple assets while developing varied strategies on how best to achieve such value from each asset.

I wish all our shareholders and staff a peaceful and happy festive season with the hope that 2010 will deliver a less tumultuous and volatile time than did 2009. Happy New Year!

Andrew Cranswick
CEO
30 November 2009

The technical elements of this report have been reviewed by Mr. Michael Kellow (the Company's Technical Director). Michael Kellow (BSc) is a member of the Australian Institute of Geoscientists (AIG) and a full-time employee of African Consolidated Resources

Plc. Mr Kellow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves' (JORC Code) and as a "qualified person" as defined in the AIM Guidance Note for Mining, Oil and Gas Companies. Michael Kellow consents to the publication of this report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2009

		For the 6 months ended 30 September 2009	For the 13 months ended 31 March 2009	For the 6 months ended 31 August 2008
	Notes	Group Unaudited £'000	Group Audited £'000	Group Unaudited £'000
Revenue		-	-	-
Share options expenses		(26)	(585)	(76)
Other administrative expenses		(752)	(831)	(533)
Administrative expenses		(778)	(1,416)	(609)
Operating loss		(778)	(1,416)	(609)
Finance income		4	113	72
Loss before and after taxation		(774)	(1,303)	(537)
Loss attributable to the equity holders of the parent company		(774)	(1,303)	(537)
Other comprehensive income:				
Available for sale investments				
- valuation gains/(losses)		13	(26)	20
Total comprehensive income for the period		(761)	(1,329)	(517)
Loss per share – basic and diluted	3	(0.32)pence	(0.58) pence	(0.24)pence

CONSOLIDATED BALANCE SHEET
As at 30 September 2009

	Note	30 September 2009	31 March 2009	31 August 2008
		Group Unaudited £'000	Group Audited £'000	Group Unaudited £'000
Assets				
Non-current assets				
Intangible assets		8,903	8,046	6,760
Property, plant and equipment		398	454	487
Available for sale investments		26	17	57
		9,327	8,517	7,304
Current assets				
Inventory		18	16	63

Receivables		99	83	87
Available for sale investments		8	4	9
Cash and cash equivalents		2,306	1,511	2,856
Total current assets		2,431	1,614	3,015
Total Assets		11,758	10,131	10,319
Equity and Liabilities				
Capital and reserves attributable to equity holders of the company				
Called-up share capital	4	2,800	2,240	2,221
Share premium account	4	13,603	10,766	10,541
Available for sale reserve	4	(7)	(20)	25
Share option reserve	4	1,307	1,305	800
EBT reserve	4	(1,049)	-	-
Retained earnings	4	(5,081)	(4,331)	(3,569)
Total equity		11,573	9,960	10,018
Current liabilities				
Trade and other payables		185	171	301
Total current liabilities		185	171	301
Total Equity and Liabilities		11,758	10,131	10,319

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2009

	For the 6 months ended 30 September 2009 Group Unaudited £'000	For the 13 months ended 31 March 2009 Group Audited £'000	For the 6 months ended 31 August 2008 Group Unaudited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss on ordinary activities	(774)	(1,303)	(537)
Adjustments for:			
Depreciation	91	179	80
Exchange loss/(profit) on cash and cash equivalents	108	(313)	(183)
Finance income	(4)	(113)	(72)
Profit on sale of available for sale investments	-	(21)	(20)
Profit on sale of property, plant and equipment	(4)	(43)	(21)
Share option charges	26	585	76
	217	274	(140)
Changes in working capital:			
(Increase)/Decrease in receivables	(16)	80	76

(Increase)/Decrease in inventories	(2)	10	(38)
Increase /(Decrease) in payables	14	(79)	51
	(4)	11	89
Cash generated from operations	(561)	(1,018)	(588)
Investing activities:			
Payments to acquire intangible assets	(857)	(2,205)	(918)
Payments to acquire property, plant and equipment	(35)	(266)	(186)
Payments to acquire available for sale investments	-	-	-
Payments to acquire investment in subsidiaries	-	-	-
Proceeds on disposal of property, plant and equipment	4	80	43
Proceeds on disposal of available for sale investments	-	46	45
Interest received	4	113	72
	(884)	(2,232)	(944)
Financing Activities:			
Proceeds from the issue of ordinary shares, net of issue costs	2,348	306	63
(Decrease)/Increase in cash and cash equivalents	903	(2,944)	(1,469)
Cash and cash equivalents at beginning of period	1,511	4,142	4,142
Exchange loss/(profit) on cash and cash equivalents	(108)	313	183
Cash and cash equivalents at end of period	2,306	1,511	2,856

INTERIM REPORT NOTES for the six months ended 30 September 2009

1. Interim Report

The information relates to the period from 1 April 2009 to 30 September 2009.

The interim report was approved by the Directors on 30 November 2009.

The interim report which is unaudited, does not include all information required for full financial statements and should be read in conjunction with the Group's consolidated annual financial statements for the period ended 31 March 2009.

2. Basis of preparation

- a) The report has been prepared using the same accounting policies as stated in the 31 March 2009 Annual Report, except for the adoption of IAS1 (Revised) and no changes to those policies are envisaged for the year end 31 March 2010 financial statements. The information does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.
- b) These interim financial statements consolidate the financial statements of the Company and all its subsidiaries.
- c) Intangible Fixed Assets
 - à In accordance with the full cost method, all costs associated with mining property development and investment are capitalized on a project-by-project basis pending determination of the feasibility of the project.
 - à Depletion and amortisation of the full-cost pools is computed using the units-of-production method based on proved reserves as determined annually by management.
 - à Mineral rights are recorded at cost less amortisation and provision for diminution in value. Amortisation will be over the estimated life of the commercial ore reserves on a unit of production basis.
 - à Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the company, the related costs will be written off.
- d) Property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The

corresponding liability is recognised within provisions.

3. Loss per share

	For the 6 months ended 30 September 2009 Group Unaudited	For the 13 months ended 31 March 2009 Group Audited	For the 6 months ended 31 August 2008 Group Unaudited
Loss per Ordinary Share has been calculated using the weighted average number of Ordinary Shares in issue during the relevant financial period.			
The weighted average number of Ordinary Shares in issue for the period is.	244,149,839	222,816,217	221,409,142
Losses for the Group for the period are (£'000)	(774)	(1,303)	(537)
Loss per share basic and diluted	(0.32p)	(0.58p)	(0.24p)

The effect of all potentially dilutive share options is anti-dilutive

4. Group Statement of Changes in Equity

	Share capital account £'000	Share premium account £'000	Share option reserve £'000	Available for sale reserve £'000	EBT reserve £'000	Retained earnings/ (losses) £'000	Total £'000
Group							
At 31 March 2009	2,240	10,766	1,305	(20)	-	(4,331)	9,960
Total comprehensive income for the period	-	-	-	13	-	(774)	(761)
Share options expenses	-	-	26	-	-	-	26
Share options exercised	-	-	(24)	-	-	24	-
Issue of share capital	560	2,837	-	-	(1,049)	-	2,348
At 30 September 2009	2,800	13,603	1,307	(7)	(1,049)	(5,081)	11,573
At 29 February 2008	2,210	10,489	732	5	-	(3,040)	10,396
Total comprehensive income for the period	-	-	-	20	-	(537)	(517)
Share options expenses	-	-	76	-	-	-	76
Share options exercised	-	-	(8)	-	-	8	-
Issue of share capital	11	52	-	-	-	-	63
At 31 August 2008	2,221	10,541	800	25	-	(3,569)	10,018

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