

African Consolidated Resources Plc MOU for the Development of Pickstone Peerless Gold Mine

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African Consolidated Resources plc ('ACR' or 'the Company')
MOU for the Development of Pickstone Peerless Gold Mine

African Consolidated Resources plc, the AIM listed resource development company focussed in Zimbabwe is pleased to announce that it has entered into a memorandum of understanding ('MOU'), subject to due diligence, with a group of individuals known as the SSSB Group, for the development of its gold property at the Pickstone Peerless mine ('the Mine').

The SSSB Group comprises a number of highly experienced mining experts with many years of international experience in senior executive positions with major international mining companies. In particular, the SSSB Group has a wealth of operational experience in Africa, including Zimbabwe, where they have been instrumental in the success of a variety of gold, nickel, copper, platinum, chrome and coal operations.

The MOU at this stage concerns the intended development of open pit mining operations at Pickstone Peerless and excludes the sulphide dump resource, where the possibility exists to establish a tailings retreatment operation. Further to ACR's announcement of 9 June 2010 regarding delays in the establishment of such an operation under an agreement with TWP Investments (PTY), ACR and the SSSB Group will evaluate potentially mutually beneficial arrangement that can be made for the SSSB Group's involvement in the exploitation of the sulphide dumps resource.

Subject to the completion of due diligence, ACR and the SSSB Group intend to enter into a legally binding project agreement containing the key terms as set out in the MOU as soon as possible ('the Project Agreement'). The main terms of the MOU applicable, after normal suspensive conditions relating to due diligence have been fulfilled, are:

Â· The whole of the Mine apart from the Sulphide Dump will be transferred to a jointly owned structure ('JOS') under which ACR will own 40% and the SSSB Group 60%

Â· The SSSB Group will at its cost prepare a Pre Feasibility Study ('PFS') on the Mine

Â· Should the PFS indicate an internal rate of return ('IRR') for the SSSB Group of at least 30% then the SSSB Group will undertake a Definitive Feasibility Study ('DFS') at its cost

Â· If the DFS indicates an IRR for the SSSB Group of less than 30% then the SSSB Group has the option not to proceed in which case the entire shareholding of the SSSB Group in the JOS falls back to ACR without cost to ACR

Â· If the DFS indicates an IRR for the SSSB Group of at least 30%, the SSSB Group will arrange funding for the project of up to \$50 million, without dilution to ACR's interest in the JOS, of which up to 65% may be raised by interest bearing project finance or shareholder loans with the balance being in equity

Â· If funding is required in excess of \$50 million then 90% will be raised by the SSSB Group and 10% by ACR, if ACR is to maintain its equity interest in the JOS. If ACR elects not to do this its equity in JOS will be reduced to 30%

Â· If at any stage after the DFS has indicated an IRR of at least 30% and in the SSSB Group's opinion the project is not feasible then the SSSB Group's funding may cease and ACR will have an option for 90days to purchase the SSSB Group's equity in the JOS at the SSSB Group's cost plus interest

Â· When there is positive cash flow, 50% of available cash flow before servicing or repaying any external debt will in the first instance be allocated to repay the accumulated spend to date by ACR and spend by the SSSB Group pursuant to the MOU on a pro rata basis

Â· In order to align objectives the SSSB Group will be issued share options in ACR, which will be defined in a more detailed project agreement

('Project Agreement') which is to be prepared as soon as possible

Â. The SSSB Group will have a pre-emptive right with regard to any future ACR gold project along the Gadzema Belt (located approximately 30km north of the Pickstone Peerless mine) on the same terms as contained in the MOU or as superseded by the Project Agreement

Andrew Cranswick, CEO of African Consolidated Resources plc said, "I am very bullish about the upside for gold prices internationally, and thanks to the Zimbabwe Government's forward-thinking rationalisation of the gold sector, we can help the country build a world-class industry around this metal. The MOU signed last week takes another step along the road in building that dream and what's more, it is an important milestone in the road to extracting value for our shareholders. The model is in line with our long-term mining strategy and I believe that this particular partnership could prove a long and rewarding one. We have a high degree of confidence in the skill sets that have come on board and I expect to bring more good news to the market in this regard over the coming years."

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For further information visit www.acrplc.com <<http://www.acrplc.com/>> or please contact:

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