AFRICAN CONSOLIDATED RESOURCES PLC

2006 ANNUAL REPORT

period ended 28 February 2006

www.acrplc.com

Company information

Directors

Ian Charles Fisher	- Executive Chairman
Andrew Noel Cranswick	- Chief Executive Officer
Roy Clifford Tucker	- Group Finance Director
Herbert Stuart Bottomley	- Non-Executive Director
Michael Wallis Kellow	- Technical Director

all of

Nettlestead Place
Nettlestead
Maidstone
Kent, ME18 5HA

Secretary and registered office

Roy Clifford Tucker, FCA

Nettlestead Place
Nettlestead
Maidstone
Kent, ME18 5HA

Website www.acrplc.com

Auditors

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

NOMAD and Corporate Broker

Williams de Broë plc
6 Broadgate
London
EC2M 2RP

Bankers

Standard Bank Isle of Man Limited
Standard Bank House
1 Circular Road
Douglas
Isle of Man, IM1 1SB

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered number 05414325

Contents

Board of directors

Stuart Bottomley, Non-Executive Director, aged 61

Stuart Bottomley worked as a stockbroker for nine years, before joining Dawnay Day where he worked as a portfolio manager for the Target Group of Unit Trusts. During his time with Target, he successfully managed the Special Situations Fund and Target Energy. In 1984, he joined Fidelity International in London, working with the ERISA group, focused on UK and European markets. Since leaving Fidelity, Stuart has consulted for numerous private and public companies, advised a number of Australian companies on admissions to AIM and assisted in IPOs and other fundraisings. He is currently a non-executive director of Centamin Egypt Ltd and Isis Resources Plc.

Andrew Cranswick, Chief Executive Office, aged 43

Andrew Cranswick is Zimbabwean by birth and citizenship. He has, at various stages over the past twenty-five years, been active in the mining and minerals sector in Zimbabwe and Southern Africa and was a geologist assistant for Anglo Gold (Vaal Reefs) in the 1980s. Returning to Zimbabwe in the late 1980s he exploited the combination of Zimbabwe's emerging market status and the tech boom by founding a group of IT companies including the country's first commercial Internet Service Provider and the first major computer assembly line. Selling the internet company to an international concern at the peak of the dot.com boom in 2000, he returned to the mining sector as it began its upturn.

Ian Fisher, Executive Chairman, aged 53

Ian Fisher was born in Zimbabwe and has lived in Western Australia for 30 years. He has extensive knowledge of the mining and gas sectors in Zimbabwe and Central Africa. He is a director of Carnegie Corporation Ltd, an Australian Stock Exchange listed company with mineral sands production interests in Gambia. Ian Fisher is the Chairman of the Western Australian Premier's Regional Investment Group - a voluntary group of twelve financiers assisting with investment in regional areas in Western Australia. He was also founding director of Atlas Pacific Ltd, a South Sea pearl farming company listed on the Australian Stock Exchange.

Michael Kellow, Technical Director, aged 50

Michael Kellow is an exploration geologist with over twenty-five years' experience in diverse gold, base-metals and uranium exploration in Archaean and Proterozoic terranes both in Australia and Africa. He was team leader in multiple discoveries of virgin mineral systems in Western Australia and the Northern Territory, and has worked with a range of both junior and major mining companies including Anglo American Corporation (now Anglo Gold), Gold Fields and Sons of Gwalia. Michael Kellow was a founding director of Intierra Ltd, one of the world's largest commercial databases on mining projects, companies and management.

Roy Tucker, Group Finance Director and Company Secretary, aged 65

Roy Tucker is a Chartered Accountant whose background is as a tax consultant. He has co-founded and been involved in the management of various financial businesses particularly in the banking and commodity sectors. He is chairman and co-founder of South Africa based Legend Lodges Group which holds significant tourism interests. He is also a director of Lisungwe plc which has mineral exploration interests in Malawi. Roy Tucker is based in the UK.

Report of the directors for the period from 5 April 2005 to 28 February 2006

The directors present their report together with the audited financial statements for the period ended 28 February 2006. The company was incorporated on 5 April 2005.

Results and dividends

The consolidated income statement is set out on page 8 and shows the loss for the period.

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The Group is engaged in the exploration for and development of precious metal projects in Sub-Saharan Africa. Since incorporation the Group has built an interesting portfolio of projects in Zimbabwe. The Directors plan to list the Company on the Alternative Investment Market of the London Stock Exchange in due course and view the future with optimism.

Financial instruments

Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 13 of the financial statements.

Charitable and political contributions

During the period the group made no charitable or political contributions.

Policy and practice on the payment of creditors

The Group's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them. It is usual for suppliers to be paid within 30 days of receipt of invoice.

The number of average days purchases of the company represented by trade creditors at 28 February 2006 was 40 days. This was due to time spent in agreeing a single large invoice for drilling costs before it was paid.

Directors

The directors who served during the period and up to the date hereof were as follows:-

	Date of Appointment	Date of Resignation
Stuart Bottomley	27.5.05	-
Andrew Cranswick	12.4.05	-
Ian Fisher	12.4.05	-
Michael Kellow	22.3.06	-
Simon Maberly	12.4.05	*17.8.05
Annabel Tucker	05.4.05	27.5.05
Roy Tucker	05.4.05	-

* died

Directors' Interests

The interests in the shares of the Company of the Directors who served during the period and up to the date hereof were at the date of their appointment and at 28 February 2006 as follows:-

	Ordinary Shares of 1p each	Share Options	Ordinary Shares of 1p each	Share Options
Stuart Bottomley Appointed 27.5.05	-	-	154,256	3,650,000
Andrew Cranswick Appointed 12.4.05	-	-	5,400,000	7,115,000
Ian Fisher Appointed 12.4.05	-	-	4,900,000	4,695,000
Michael Kellow Appointed 22.3.06	-	-	-	4,150,000
Roy Tucker Appointed 05.4.05	200	-	1,122,223	4,695,000

All the interests were beneficial and no director has any interest in the shares of any of the subsidiary companies.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP, who were appointed as first auditors of the Company by the Directors have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Roy Tucker
Secretary

29 June 2006

Statement of directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the financial statements which comply with the requirements of the Companies Act 1985.

The Directors have elected to prepare the financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs).

International Accounting Standard 1 requires that the financial statements present fairly for each financial period the Group's and the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transaction, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- select suitable accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transaction, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report of the Independent Auditors

to the Members of African Consolidated Resources plc

We have audited the group and parent company financial statements (the "financial statements") of African Consolidated Resources plc for the period ended 28 February 2006 which comprise the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 28 February 2006 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 28 February 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

London

29 June 2006

Consolidated income statement for the period ended 28 February 2006

	Notes	**Period from 5 April 2005 to 28 February 2006 Group £**
Turnover		-
Administrative expenses		(401,961)
Loss from operations	3	(401,961)
Financial income		61,242
Loss on ordinary activities before and after taxation		(340,719)
Loss per share - basic and fully diluted	6	(0.35) pence

Reconciliation of movements in shareholders' funds

Loss for the period		(340,719)
Share option charge	5	53,000
Issue of shares		3,899,060
Shareholders' funds at 28 February 2006		3,611,341

There are no recognised gains or losses other than the loss for the period.

All the operations are considered to be continuing.

The accompanying accounting policies and notes on pages 11 - 22 form an integral part of these financial statements.

Group and company balance sheets as at 28 February 2006

ASSETS	Notes	28 February 2006 Group £		28 February 2006 Company £	
Non current assets					
Intangible assets	7	2,329,211		528,613	
Property, plant and equipment	8	142,376		39,782	
Fixed asset investments	9	43,273		396	
Total non current assets			**2,514,860**		**568,791**
Current assets					
Inventory	10	50,775		50,775	
Receivables	11	53,985		1,990,447	
Cash and cash equivalents		1,975,166		1,972,366	
Total current assets			**2,079,926**		**4,013,588**
Total assets			**4,594,786**		**4,582,379**
EQUITY AND LIABILITIES					
Equity					
Called-up share capital	14	1,456,270		1,456,270	
Share premium account	14	2,442,790		2,442,790	
Sustained losses	15	(340,719)		(329,449)	
Share option reserve	15	53,000		53,000	
Total equity	15		**3,611,341**		**3,622,611**
Current liabilities					
Trade and other payables	12	983,445		959,768	
Total current liabilities			**983,445**		**959,768**
Total equity and liabilities			**4,594,786**		**4,582,379**

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2006 and signed on its behalf by:

Roy C Tucker
Director

The accompanying accounting policies and notes on pages 11 - 22 form an integral part of these financial statements.

Group and company cash flow statement

for the period ended 28 February 2006

	Period from 5 April 2005 to 28 February 2006 Group £	Period from 5 April 2005 to 28 February 2006 Company £
CASH FLOW FROM OPERATING ACTIVITES		
Loss before tax	(340,719)	(329,449)
Adjustments for:		
Depreciation	10,243	3,126
Finance income	(61,242)	(59,456)
Share option charges	53,000	53,000
	2,001	(3,330)
Changes in working capital:		
Increase in receivables	(53,985)	(1,990,447)
Increase in stock	(50,775)	(50,775)
Increase in payables	983,445	959,768
	878,685	(1,081,454)
Cash generated from operations	539,967	(1,414,233)
Investing activities:		
Payments to acquire intangible assets	(2,329,211)	(528,613)
Payments to acquire property, plant and equipment	(152,619)	(42,908)
Payments to acquire fixed asset investments	(43,273)	(396)
Interest received	61,242	59,456
	(2,463,861)	(512,461)
Financing Activities:		
Issue of ordinary shares	3,899,060	3,899,060
	3,899,060	3,899,060
Increase in cash and cash equivalents	1,975,166	1,972,366
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	1,975,166	1,972,366

The accompanying accounting policies and notes on pages 11 - 22 form an integral part of these financial statements.

Statement of accounting policies for the period ended 28 February 2006

1 Accounting Policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied throughout the current period presented, unless otherwise stated. This financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first period of account for ACR and the Company has chosen to prepare its financial information in accordance with IFRS from incorporation on 5 April 2005 to 28 February 2006.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The financial information presents the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Business combinations

The financial information incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. The licences acquired have been valued at their fair value using appropriate valuation techniques and posted to intangible assets.

Foreign currency

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

Provision for abandonment costs

Provision for abandonment costs are recognised at the commencement of mining. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of production. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed assets.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Tax

The major components of income tax on the profit or loss from ordinary activities include current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

Deferred development and exploration costs

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. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining property development project is successful, the related expenditures will be amortised over the estimated life of the commercial ore reserves on a unit of production basis. 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.

Unevaluated mining properties are assessed at each year end and where there are indications of impairment or at the end of an appraisal programme the related costs are transferred to the appropriate cost pool within tangible fixed assets. The recoverability of deferred mining property costs and interests is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Proved mining properties

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.

Mineral rights

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.

Licences for the exploration of natural resources will be amortised over the lower of the life of the licence and the estimated life of the commercial ore reserves on a unit of production basis.

Property, plant and equipment

Items of 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.

Plant is subsequently carried at fair value, based on periodic (usually triennial) valuations by a professionally qualified valuer. Changes in fair value are recognised in equity (the "revaluation reserve"). An appropriate transfer is made from the revaluation reserve to the profit and loss reserve when plant is expensed through the income statement (eg through depreciation, impairment or sale). All other items of property and equipment are carried at depreciated cost. Depreciation is provided on all other items of property and equipment is to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Plant and machinery - 25% per annum, straight line

Fixtures and fittings - 25% per annum, straight line

Computer equipment - 33% per annum, straight line

Motor vehicles - 20% per annum, straight line

Financial instruments

The Group's financial liabilities consist of trade and other payables, and a loan note. The trade and other payables are stated at cost. Loan notes are recorded at the proceeds received, net of direct issue costs. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of net financing costs in the income statement.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realiseable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

Leased Assets

Where assets are financed by leasing agreements that do not give rights approximating ownership, these are treated as operating leases. The annual rentals are charged to the income statement on a straight line basis over the term of the lease.

Notes to financial statements for the period ended 28 February 2006

2 Segmental analysis

The Group operates in one business segment, the exploration for and production of mineral assets. ACR has interests in one geographical segment being Zimbabwe.

3 Group loss from operations

	Period from 5 April 2005 to 28 February 2006 Group £
This has been arrived at after charging/(crediting)	
Auditors' remuneration - audit (Company £20,000)	21,990
Depreciation	10,243
Office lease	861
Foreign exchange differences	(5,697)

4 Taxation

	Period from 5 April 2005 to 28 February 2006 Group £
There is no tax charge arising for the Group for the period	
The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained	
Loss before taxation	(340,719)
Loss before taxation at the standard rate of corporation tax in the UK of 30%	(102,216)
Expenses disallowed for tax (principally depreciation)	3,073
Tax losses carried forward	99,143
Tax charge for the period	-

Factors that may affect future tax charges

At 28 February 2006, the group had UK tax losses of approximately £100,000 carried forward which will be utilised against future profits. However, these losses are only recoverable against future profits, the timing of which is uncertain and as a result, no deferred tax asset has been recognised in relation to these losses.

5 Salaries

Average number of employees : 10

	£
Gross Salaries	137,528
Employee share option expense	53,000
	190,528
Remuneration in respect of Directors' services	137,125

6 Loss per share

Loss per Ordinary Share has been calculated using the weighted average number of Ordinary Shares in issue during the period. The weighted average number of Ordinary Shares in issue for the period is 96,567,209.

Losses for the Group for the period are £340,719.

7 Intangible fixed assets

Group	Deferred exploration costs £	Mining options £	Licence acquisition costs £	Total £
Cost and net book value				
Additions during the period and at 28 February 2006	554,689	14,178	1,760,344	2,329,211
Company				
Cost and net book value				
Additions during the period and at 28 February 2006	468,144	14,178	46,291	528,613

8 Property, plant and equipment

Group	Plant and machinery £	Fixtures, fittings and equipment £	Computer assets £	Motor vehicles £	Total £
Cost					
Additions during the period & at 28 February 2006	14,187	10,578	23,122	104,732	152,619
Depreciation					
Charge for the period & at 28 February 2006	912	363	1,490	7,478	10,243
Net book value at 28 February 2006	13,275	10,215	21,632	97,254	142,376
Company					
Cost					
Additions during the period & at 28 February 2006	11,483	3,953	22,239	5,233	42,908
Depreciation					
Charge for the period & at 28 February 2006	889	246	1,468	523	3,126
Net book value at 28 February 2006	10,594	3,707	20,771	4,710	39,782

9 Fixed asset investments

	28 February 2006 Group £	28 February 2006 Company £
Cost		
Additions during the period and at 28 February 2006	43,273	396
Amortisation		
Charge for the period and at 28 February 2006	-	-
Net book value at 28 February 2006	**43,273**	**396**

Company	Country of registration	Class	Proportion held by group	Nature of business
Abbarre Limited	United Kingdom	Ordinary	100%	Mining exploration and development
Canape Investments (Private) Limited	Zimbabwe	Ordinary	100%	Mining exploration and development
*Breckridge Investments (Private) Limited	Zimbabwe	Ordinary	100%	Mining exploration and development

*Indirectly Held

10 Inventory

	28 February 2006 Group £	28 February 2006 Company £
Material and supplies	50,775	50,775

There is no material difference between the replacement cost of stocks and the amount stated above.

11 Receivables

Advance to Group Companies	-	1,936,462
Other receivables	53,985	53,985
	53,985	1,990,447

All amounts fall due for payment within one year.

12 Trade and other payables

Other payables	961,670	953,086
Accruals and deferred income	21,775	6,682
	983,445	959,768

All amounts fall due for payment within one year.

13 Financial instruments

The Group's financial instruments, other than its investments, comprise cash and items arising directly from its operations such as trade receivables and trade payables.

The Group seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits. All assets and liabilities are at the floating interest rate.

The Company has one immediate overseas subsidiary which operates in Zimbabwe and whose expenses are mainly denominated in Zimbabwean Dollars. Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of African Consolidated Resources' expenses are denominated in Sterling.

At the year end the Group had a cash balance of £1,975,166 comprising of the following balances.

British pounds	1,972,260
Zimbabwean dollars	2,906

There is no material difference between the book value and fair value of the Group's cash.

14 Share capital

	Number of shares	Nominal value	Share premium
		£	£
Authorised			
Ordinary shares of £0.01 each	1,000,000,000	10,000,000	-
Issued			
Called up, allotted and fully paid			
5 April 2005	200	2	-
28 April 2005	4,999,800	49,998	-
6 June 2005	75,000,000	750,000	-
27 June 2005	51,249,787	512,498	1,687,803
16 September 2005	1,555,510	15,555	54,443
30 September 2005	2,444,444	24,445	85,555
15 November 2005	305,814	3,058	10,703
10 January 2006	5,714,285	57,143	342,857
13 February 2006	71,429	714	4,286
28 February 2006	4,285,711	42,857	257,143
	145,626,980	1,456,270	2,442,790

14 Share capital (continued)

On 5 April 2005, ACR was incorporated with an authorised share capital of £10,000,000 comprising 1,000,000,000 ordinary shares of £0.01 each. On incorporation, 200 shares were issued at par.

On 28 April 2005, ACR issued 4,999,800 shares at par.

On 6 June 2005, ACR issued 75,000,000 shares in exchange for the acquisition of a 100% interest in Abbarre Limited, together with a 100% interest in Breckridge Investments (Private) Limited. The acquisition had a value of £750,000.

On 27 June 2005, ACR issued 51,249,787 shares at 4.5p per share. The cost of issuing shares was £105,940.

On 16 September 2005, ACR issued 1,555,510 shares at 4.5p per share.

On 30 September 2005, ACR issued 2,444,444 shares at 4.5p per share.

On 15 November 2005, ACR issued 305,814 shares at 4.5p per share.

On 10 January 2006, ACR issued 5,714,285 shares at 7p per share.

On 13 February 2006, ACR issued 71,429 shares at 7p per share.

On 28 February 2006, ACR issued 4,285,711 shares at 7p per share.

Post Balance Sheet Share Issues

On 10 April 2006, ACR issued 9,605,214 shares at 7p per share.

On 18 April 2006, ACR issued 500,000 shares at 7p per share.

Share options	**Granted during period number**	**Cancelled during period number**	**Outstanding at 28 February 2006 number**	**Final exercise date**
Exercise price				
4.5p	2,500,000	-	2,500,000	October 2007
4.5p	1,111,111	-	1,111,111	June 2010
4.5p	11,000,000	-	11,000,000	June 2011
7.0p	1,500,000	-	1,500,000	March 2009
7.0p	928,571	-	928,571	November 2006
7.0p	37,500	-	37,500	June 2011
	17,077,182		17,077,182	

These options have been valued using the Black Scholes method of valuing options from the date of issue to 28 February 2006.

Fair value of options

Inputs to the valuation model

The fair values of awards granted under the Share Option Plan have been calculated using the Black Scholes pricing model that takes into account factors specific to share incentive plans such as the vesting periods of the Plan, the expected dividend yield of ACR's shares and expected early exercise of share options.

14 Share capital **(continued)**

	4.5p options	7.0p options
Grant date	June 2005- November 2005	January 2006- February 2006
Share price at date of grant	4.5p	7.0p
Exercise price	4.5p	7.0p
Volatility	30%	30%
Option life	3 years	3 years
Dividend yield	Nil	Nil
Risk free investment rate	4.5%	4.5%

Volatility has been based on the volatility of comparable listed companies in the mining, oil and gas sector, based on historical share price information.

Based on the above assumptions, the fair values of the options granted are estimated to be:

	4.5p options	7.0p options
Fair value	1.2p	1.8p

Expense arising from share-based payments

Based on the above fair values and ACR's expectations of employee turnover, the expense arising from equity-settled share options and share awards made to employees was £53,000. There were no other share-based payment transactions.

15 Reserves

Group	Share capital account £	Share premium account £	Share option reserve £	Sustained losses £	Total £
At 5 April 2005	-	-	-	-	-
Issue of shares	1,456,270	2,442,790	-	-	3,899,060
Share options	-	-	53,000	-	53,000
Loss for the year	-	-	-	(340,719)	(340,719)
At 28 February 2006	**1,456,270**	**2,442,790**	**53,000**	**(340,719)**	**3,611,341**

15 Reserves (continued)

Company	Share capital account £	Share premium account £	Share option reserve £	Sustained losses £	Total £
At 5 April 2005	-	-	-	-	-
Issue of shares	1,456,270	2,442,790	-	-	3,899,060
Share options	-	-	53,000	-	53,000
Loss for the year	-	-	-	(329,449)	(329,449)
At 28 February 2006	**1,456,270**	**2,442,790**	**53,000**	**(329,449)**	**3,622,611**

The share premium account holds the balance of consideration received in excess of the par value of the shares.

The (sustained losses)/retained earnings reserve represents the cumulative net gains and losses recognised in the consolidated income statement.

16 Acquisition of intangible assets - Group

In calculating the goodwill arising on each acquisition made during the year, the fair value of net assets in each case have been assessed, and adjustments from book value made where necessary.

For each acquisition, the Directors have fair valued the underlying mining licences having considered reports form independent experts.

The details of each acquisition, and the respective adjustments made, are summarised below:

(a) Breckridge

On 1 June 2005, the Group acquired the entire issued share capital of Breckridge Investments (Pvt) Limited ("Breckridge") for consideration of 450,000 Ordinary Shares. Breckridge holds the Pickstone Peerless claims.

	Book value £	Fair value adjustments £	Fair value £
Breckridge			
Intangible assets	-	4,500	4,500
Consideration (450,000 Ordinary Shares at 1p)			(4,500)
Goodwill			-

16 Acquisition of intangible assets (continued)

(b) Abbarre

On 6 June 2005, the Group acquired Abbarre Limited, a UK Company for consideration of 74,550,000 Ordinary Shares.

	Book value £	Fair value adjustments £	Fair value £
Abbarre Limited			
Intangible assets	-	745,500	745,500
Consideration (74,550,000 Ordinary Shares at 1p)			(745,500)
Goodwill			-

(c) Giant

On 9 September 2005, the Group acquired a 100% interest in the Giant Mine and surrounding area for total consideration of $1,680,000 (£962,328) and the contingent amount as described below. The consideration consists of $340,000 paid in cash, $1,260,000 which was paid subsequent to the balance sheet date and $80,000 payable within 30 days of Admission. The contingent amount is to be calculated at $5 per ounce according to the number of ounces found in the tailing dump which, in the opinion of the Directors, will not be more than $125,000.

	Book value £	Fair value adjustments £	Fair value £
Giant			
Intangible assets	-	962,328	962,328
Consideration			(962,328)
Goodwill			-

(d) One Step

On 6 October 2005, the Group agreed to acquire a prospecting contract and option in respect of One Step, West Step, East Step and Challenge Claims (which was duly exercised) for an aggregate cost of Z$500,000,000 (£2,500) and a pickup truck. This consideration was not capitalised. Subsequent to this the Company paid £35,000 to procure the waiver of a subsisting option over the same ground.

	Book value £	Fair value adjustments £	Fair value £
One Step			
Intangible assets	-	35,000	35,000
Consideration			(35,000)
Goodwill			-

17 Related party transactions

During the period the Group entered into the following transactions with parties related to the Group.

On 1 June 2005, the Company acquired Breckridge Investments (Pvt) Limited from African Consolidated Resources Limited Pty, a company related by common directors. Breckridge Investments (Pvt) Limited was purchased for consideration of 450,000 shares of £0.01. The Directors believe this transaction was conducted at fair value.

On 6 June 2005, the Company acquired Abbarre Limited from African Consolidated Resources Limited, a company related by common directors. Abbarre Limited was purchased for consideration of 74,550,000 Ordinary Shares of £0.01. The Directors believe this transaction was conducted at fair value.

During the year, the Group has used African Consolidated Resources (Private) Limited as a nominee to purchase mining assets. This Company is related to the Group by common directors.

18 Contingent liabilities and capital commitments

There is contingent liability of $125,000 (£71,600) in respect of the Giant acquisition referred in note 16(c).

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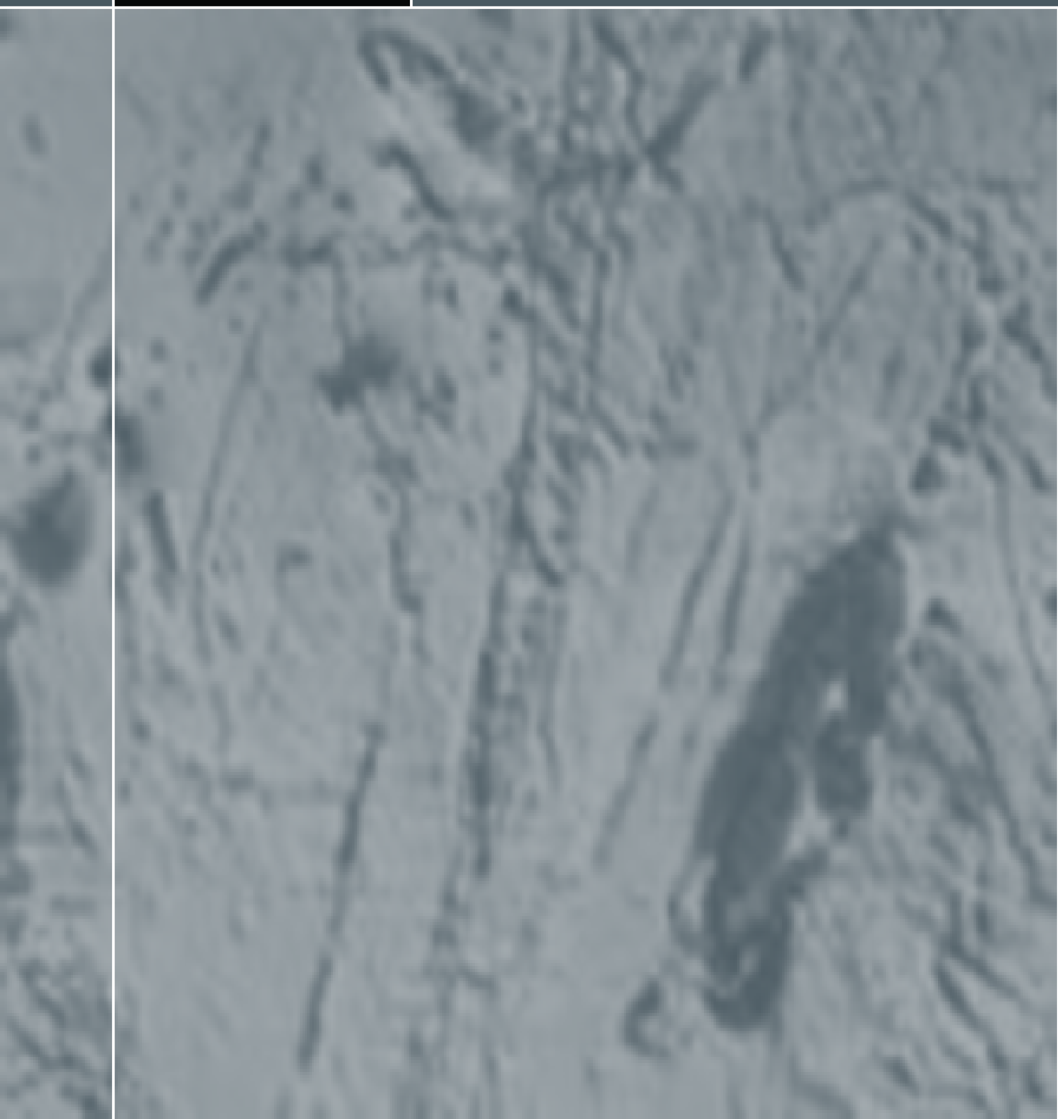

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