African Consolidated Resources plc / Ticker: AFCR / Index: AIM / Sector: Mining
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African Consolidated Resources plc ('ACR' or 'the Company')
Interim Results

African Consolidated Resources plc, the AIM listed resource and development company focused in Zimbabwe, is pleased to announce its results for the six months to 30 September 2012.

Project Highlights

- Major upgrade in reported JORC Resource at Pickstone-Peerless gold project in Zimbabwe from 513,000 oz to 3.2 million oz of which over 50% in the Measured and Indicated Category. This increases the Company's total JORC Resource to 4.3 million oz.
- Scoping studies for Pickstone-Peerless project reveal 800,000 oz open pit opportunity at an average grade of 5g/t at stripping ratio of 5:6:1 with a 200,000 oz starter pit opportunity as a subset of this at 3.8 g/t grade and stripping ratio of 1:1.
- Preliminary Economic Assessment of the 800,000 oz open pit at Pickstone-Peerless project indicates an NPV at a 10% discount rate of $300 million based on an investment of $60 million and a gold price of $1,500/oz.

Financial Highlights

- Loss of $2.4m to 30 September 2012 as exploration programmes continue
  (31 March 2012 – $4.6m; 30 September 2011 – $1.7m)
- Cash balance of $2.5m
  (31 March 2012 – $3.0m; 30 September 2011 – $7.1m)
- $3.3m cash received through private placement of 108,021,500 shares
  (Year to 31 March 2012 – $7.3m)
- Cash balance 30 November 2012 $1.5m
- Further funding required early 2013

Executive Chairman's Report

The dominant focus of the Company's activity in the short period since I last reported to you is the progress made on the Pickstone-Peerless gold mine. With a JORC Resource of 3.2 million oz gold – more than 50% in the Indicated and Measured category – and a concept study estimating a net present value on an 800,000 oz open pit at Pickstone of $300 million at a 10% discount rate, Pickstone-Peerless is a Company changer.

Work is progressing on the design of and preparation for commissioning of plant for a starter pit of some 200,000 oz (referred to as Pit-1 in our announcement of 14 November) where it is believed that CAPEX can be contained at less than $10 million. Discussions on funding are advancing and, subject to funding, it is expected that a starter pit at Pickstone, or on adjacent Peerless, should be ready to start production within 12 months thus giving the Company positive cash flow.

Although as previously announced there is a definitive feasibility study in place for the sulphide dump at Pickstone, this is metallurgically more complex than the proposed open pits at Pickstone and at Peerless, and it has been deemed prudent to defer exploitation of this until after the open pits are in production.

As mentioned in my statement in the last Annual Report, we have an indigenisation strategy for Zimbabwe in order to ensure we comply with the country’s indigenisation laws as they become applicable. In this respect we have a different situation from most companies already in production as we are arriving at production from a recent exploration base. Accordingly our strategy is focused mainly on a project level as each project nears maturity and approaches production. Arrangements are now advancing to transfer the ownership of the Pickstone-Peerless mine to a newly formed company, Pickstone-Peerless Mining (Pvt) Ltd, (PMC) on certain terms and conditions. PMC under Zimbabwe law is constituted as an indigenous company, and it is PMC that will carry out the future mining operations at Pickstone. Under the proposed arrangements ACR, prior to any changes occasioned by any new funding, will retain operatorship and an effective beneficial interest in 74% of any profits of PMC, and the indigenisation partners will fund their share acquisition out of future profits. This is in keeping with the seemingly accepted trend in Zimbabwe of ‘notional vendor financing’ to assist the empowerment partners to pay for their shareholding. We shall ensure that the transaction is underpinned by sound commercial rationale and supported by the Government of Zimbabwe. The indigenous shareholders of PMC will include senior management of PMC, an employee trust and, importantly, a trust for the local community in keeping with the Zimbabwe Government’s call to establish ‘broad based economic empowerment structures’. Further information about PMC and its management will be announced shortly when the contracts for the transfer of the Pickstone-Peerless mine are completed.

I now come to Zambia.

In my Annual Report statement with regard to the Kalengwa copper mine I referred to the ongoing legal issues concerning the licences and also concerning a claim by a former shareholder of the vendor (the Former Shareholder) that asserted that the vendor had no right to sell. I am pleased to say amicable agreement has now been reached with the Former Shareholder. As a result of this the restriction on sale will be removed; the Former Shareholder is giving active assistance in progressing matters; and in principle there is no reason under the law why the licence should not now subject to payment of outstanding considerations immediately be issued as a current licence and transferred to ACR. We are now actively pursuing the process of this with the Zambian Ministry of Mines, although our experience shows us that the bureaucratic process may yet take some time.

I also referred before to an unlawful occupier of the mine (the Occupier) who was continuing to process the rock dump left over from mining in the 1970s (the Rock Dump), and an agreement that we had reached with the Occupier to operate the Rock Dump on a shared basis. Unfortunately the Occupier did not honour his agreement with us, and furthermore the Occupier has now won an action in the Ndola High Court that he has a valid right to the Rock Dump under his Mineral Processing Licence. As a result of this the Occupier is still in physical occupation of the mine exploiting the Rock Dump as before.

Although our legal advice is that the Ndola High Court erred as a matter of law (and the vendor to us has indeed appealed the Ndola High Court decision to the Supreme Court) it must be made clear that the Mineral Processing Licence held by the Occupier – even if not overturned by the Supreme Court – only gives him rights over the Rock Dump and not to the Kalengwa mine itself or to the surrounding exploration area. The essential value of the Kalengwa mine (previously reported non JORC estimate of 170,000 tonnes of copper metal and open along strike) and the surrounding prospective exploration area does not lie with the Rock Dump. The Rock Dump, although potentially attractive for short term cash flow, is essentially a side issue. Once the Prospecting Licence over the area is reissued and transferred to us we will have the independent right of occupation of the Kalengwa mine and will work alongside the Occupier if necessary.

I am pleased to say that apart from the ‘legal’ activity, we have now commenced flying our plane over the Kalengwa/Kasempa exploration area for the purposes of aeromagnetic and radiometric survey. This will progress although with some interruption through the summer rains.

On Nkombwa Hill Rare Earth Elements (REE) project I anticipate positive news on the licence issues, and I expect an announcement to be made on this shortly at the same time as an announcement by Galileo Resources plc who is financing our farm in partner who is committed to a $1.35 million spend to achieve an Indicating REE Resource.

I said in my Annual Report statement that the Company would require further funding in Q4 2012 and that a roadshow in Asia was planned. In view of the enhanced and relatively near term cash flow prospects on Pickstone-Peerless our funding options have widened. There is now the possibility of project finance, convertible loans or other financing structures in addition to additional equity in the Company. We have not as yet accepted any new funding but are actively pursuing different discussions in this regard. The cash position at 30 November 2012 was approximately $1.5 million and we will require more funding early in 2013.

On general Company matters I am pleased to announce that one of our non-executive directors, Lloyd Manokore – who is a businessman, registered lawyer in and a citizen and resident of Zimbabwe – has agreed to increase his role in the Company's activities and has accepted the position of Vice-Chairman. Lloyd has been enormously helpful to us since he joined the Board with his meticulous and considered advice – not limited to legal matters – and this has been consistently welcomed. I also give a warm welcome to Eve Mkondo – a chartered accountant who has held the positions of group finance director and or group commercial director for a Zimbabwean quoted company and is also a citizen and resident of Zimbabwe – who joined us in November as Chief Executive Officer of our Zimbabwe holding company and for our operations in Zimbabwe, and also as Chief Financial Officer for the whole Group.

The combination of the appointment of Eve and the enhanced role of Lloyd will, together with the separate role of PMC which will be managed separately by an experienced engineering and mining team, give a much increased indigenous participation at a high level to our operations not only in Zimbabwe but to the Company's operations worldwide. This will I believe put us in a stronger position to deal with the challenges of whatever the future holds in Zimbabwe (2013 is likely to be an election year) and in particular the opportunities and challenges that will arise from the exciting development of the Pickstone-Peerless project.

Roy C Tucker

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 Note for Mining, Oil and Gas Companies. Michael Kellow consents to the publication of this report.

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Group statement of comprehensive income

for the six months ended 30 September 2012

	Notes	For the six months ended 30 September 2012 Group $'000	For the year ended 31 March 2012 Group $'000	For the six months ended 30 September 2011 Group $'000
Revenue		-	-	-
Share options (expenses)/write back		(3)	409	300
Other administrative expenses		(2,444)	(4,211)	(2,069)
Impairment of intangible assets		-	(788)	-
Administrative expenses		(2,447)	(4,590)	(1,769)
Operating loss		(2,447)	(4,590)	(1,769)
Finance income		2	27	13
Loss before and after taxation attributable to the equity holders of the parent company	3	(2,445)	(4,563)	(1,756)
Other comprehensive income				
Gain on available for sale financial assets		104	19	2
Total comprehensive loss attributable to the equity holders of the parent company		**(2,341)**	**(4,544)**	**(1,754)**
Loss per share – basic and diluted	3	(0.52) cents	(1.08) cents	(0.46) cents

Group statement of changes in equity

for the six months ended 30 September 2012

	Share capital account	Share premium account	Share option reserve	Foreign currency translation reserve	Available for sale reserve	EBT reserve	Retained earnings/ (losses)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 March 2012	**7,908**	**48,483**	**5**	**(1,855)**	**6**	**(2,468)**	**(16,412)**	35,667
Loss for the year	-	-	-	-		-	(2,445)	**(2,445)**
Other comprehensive income	-	-	-	12	104	-	-	**116**
Total comprehensive loss for the year	-	-	-	12	104	-	(2,445)	**(2,329)**
Credit in respect of share option charges	-	-	3	-	-	-	-	**3**
Shares issued:								
- for cash consideration	1,715	1,715	-	-	-	-	-	**3,430**
- to the EBT	246	1,230	-	-	-	(1,476)	-	**-**
- in respect of fees	54	121	-	-	-	-	-	**175**
- share issue costs	-	(156)	-	-	-	-	-	**(156)**
At 30 September 2012	**9,923**	**51,393**	**8**	**(1,843)**	**110**	**(3,944)**	**(18,857)**	**36,790**

	Share capital account	Share premium account	Share option reserve	Foreign currency translation reserve	Available for sale reserve	EBT reserve	Retained earnings/ (losses)	Total
At 31 March 2011	**6,460**	**41,722**	**2,239**	**(1,855)**	**(13)**	**(2,468)**	**(14,059)**	**32,026**
Loss for the year	-	-	-	-	-	-	(4,563)	(4,563)
Other comprehensive income	-	-	-	-	19	-	-	19
Total comprehensive loss for the year	-	-	-	-	19	-	(4,563)	(4,544)
Net write off in respect of share option charges	-	-	(24)	-	-	-	-	(24)
Share options exercised	-	-	(166)	-	-	-	166	-
Share options lapsed	-	-	(2,044)	-	-	-	2,044	-
Shares issued:								
- for cash consideration	1,267	6,333	-	-	-	-	-	7,600
- in respect of share options	126	439	-	-	-	-	-	565
- for purchase of assets	39	148	-	-	-	-	-	187
- in respect of fees (including Directors)	16	148	-	-	-	-	-	164
- share issue costs	-	(307)	-	-	-	-	-	(307)
At 31 March 2012	**7,908**	**48,483**	**5**	**(1,855)**	**6**	**(2,468)**	**(16,412)**	**35,667**

Group statement of changes in equity (continued)
for the six months ended 30 September 2012

	Share capital account $'000	Share premium account $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Available for sale reserve $'000	EBT reserve $'000	Retained earnings/ (losses) $'000	Total $'000
At 31 March 2011	**6,460**	**41,722**	**2,239**	**(1,855)**	**(13)**	**(2,468)**	**(14,059)**	**32,026**
Loss for the year	-	-	-	-	-	-	(1,756)	(1,756)
Other comprehensive income	-	-	-	-	2	-	-	2
Total comprehensive loss for the period	-	-	-	-	2	-	(1,756)	(1,754)
Credit in respect of share option charges	-	-	85	-	-	-	-	85
Share options lapsed	-	-	(2,045)	-	-	-	2,045	-
Share options exercised	-	-	(165)	-	-	-	165	-
Allotment of shares to EBT	-	-	-	-	-	(1,454)	-	(1,454)
Shares issued:								
- for cash consideration	1,264	6,320	-	-	-	-	-	7,584
- in respect of share options	126	439	-	-	-	-	-	565
- for purchase of assets	28	131	-	-	-	-	-	159
- in respect of fees	19	160	-	-	-	-	-	179
- share issue costs	-	(307)	-	-	-	-	-	(307)
At 30 September 2011	**7,897**	**48,465**	**114**	**(1,855)**	**(11)**	**(3,922)**	**(13,605)**	**37,083**

Group statements of financial position
As at 30 September 2012

	Note	30 September 2012 Group $'000	31 March 2012 Group $'000	30 September 2011 Group $'000
Assets				
Non-current assets				
Intangible assets	4	30,255	28,896	27,742
Property, plant and equipment		2,872	3,100	3,222
Available for sale investments		153	50	34
		33,280	32,046	30,998
Current assets				
Inventory		6	9	29
Receivables		1,798	1,024	853
Available for sale investments		16	16	15
Cash and cash equivalents		2,516	3,031	7,149
Total current assets		4,336	4,080	8,046
Total Assets		**37,616**	**36,126**	**39,044**
Equity and Liabilities				
Capital and reserves attributable to equity holders of the Company				
Called-up share capital		9,923	7,908	7,897
Share premium account		51,393	48,483	48,465
Available for sale reserve		110	6	(11)
Share option reserve		8	5	114
Foreign currency translation reserve		(1,843)	(1,855)	(1,855)
EBT reserve		(3,944)	(2,468)	(3,922)
Retained earnings		(18,857)	(16,412)	(13,605)
Total equity		36,790	35,667	37,083
Current liabilities				
Trade and other payables		826	459	1,961
Total current liabilities		826	459	1,961
Total Equity and Liabilities		**37,616**	**36,126**	**39,044**

Group statements of cash flow

for the six months ended 30 September 2012

	For the six months ended 30 September 2012 Group $'000	For the year ended 31 March 2012 Group $'000	For the six months ended 30 September 2011 Group $'000
CASH FLOW FROM OPERATING ACTIVITES			
Loss for the year	(2,445)	(4,563)	(1,756)
Adjustments for:			
Depreciation	34	88	29
Revaluation reserve write off	12	-	-
Impairment charge on intangible assets	-	788	-
Unrealised exchange (gain)/loss on cash and cash equivalents	(37)	54	75
Finance income	(2)	(27)	(13)
(Loss)/profit on sale of property, plant and equipment	37	(13)	-
Liabilities settled in shares	175	366	179
Share option expense/(write back)	3	(409)	(300)
	(2,223)	(3,716)	(1,786)
Changes in working capital:			
Increase in receivables	(773)	(620)	(450)
Decrease in inventories	3	51	31
Decrease/(Increase) in payables	367	(344)	(297)
	(403)	(913)	(716)
Cash used in operations	(2,626)	(4,629)	(2,502)
Investing activities:			
Payments to acquire intangible assets	(1,198)	(4,629)	(2,815)
Payments to acquire property, plant and equipment	(4)	(478)	(243)
Proceeds on disposal of property, plant and equipment	-	23	-
Interest received	2	27	13
	(1,200)	(5,057)	(3,045)
Financing Activities:			
Proceeds from the issue of ordinary shares, net of issue costs	3,274	7,842	7,842
(Decrease)/Increase in cash and cash equivalents	(552)	(1,844)	2,295
Cash and cash equivalents at beginning of year	3,031	4,929	4,929
Exchange (loss)/gain on cash and cash equivalents	37	(54)	(75)
Cash and cash equivalents at end of year	**2,516**	**3,031**	**7,149**

Interim report notes

1 Interim Report

The information relates to the period from 1 April 2012 to 30 September 2012.

The interim report was approved by the Directors on 27 December 2012.

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 2012.

2 Basis of preparation

a) The unaudited condensed interim financial statements for the six months ended 30 September 2012 do not constitute statutory accounts and have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ended 31 March 2012, which are not expected to be significantly different to those set out in note 1 to the Group's audited financial statements for the year ended 31 March 2012

b) These interim financial statements consolidate the financial statements of the Company and all its subsidiaries.

c) After review of the Group's operations, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the unaudited condensed interim financial statements.

3 Loss per share

		For the six months ended 30 September 2012 Group	**For the year ended 31 March 2012 Group**	**For the six months ended 30 September 2011 Group**
Loss per Ordinary Share has been calculated using the weighted average number of Ordinary Shares in issue during the relevant financial year.				
The weighted average number of Ordinary Shares in issue for the period is:		451,342,074	422,027,914	377,327,065
Losses for the Group for the year are:	($'000)	(2,445)	(4,563)	(1,756)
Loss per share basic and diluted		(0.52cents)	(1.08cents)	(0.47cents)
The effect of all potentially dilutive share options is anti-dilutive.				

4 Intangible assets

Group	Deferred exploration costs $'000	Mining options $'000	Licence acquisition costs $'000	Total $'000
Cost at 31 March 2012	23,877	85	4,934	28,896
Additions during the year	1,359	-	-	1,359
Disposals during the year	-	-	-	-
Cost at 30 September 2012	**25,236**	**85**	**4,934**	**30,255**
Cost at 31 March 2011	19,849	10	4,941	24,800
Additions during the year	4,781	75	28	4,884
Disposals during the year	(753)	-	(35)	(788)
Cost at 31 March 2012	**23,877**	**85**	**4,934**	**28,896**
Cost at 31 March 2011	19,849	10	4,941	24,800
Additions during the year	2,892	50	-	2,942
Disposals during the year	-	-	-	-
Cost at 30 September 2011	**22,741**	**60**	**4,941**	**27,742**

5 Financial information

The financial information for the year ended 31 March 2011 has been extracted from the statutory accounts for that period. While the auditors' report for the year ended 31 March 2011 was unqualified, it did include an emphasis of matters concerning the political and economic stability in Zimbabwe, to which the auditors drew attention by way of emphasis without qualifying their report. Full details of these comments are contained in the report of the Auditors on Page 20 of the Final Results for the year to 31 March 2012, released elsewhere on this website on 4 September 2012.