

05414325

African Consolidated Resources plc

Annual Report and Financial Statements

for the year ended 31 March 2010

WEDNESDAY



"LKFRJMN3"

LD4

18/08/2010

171

COMPANIES HOUSE

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Contents

	Page
Company information	1
Chief Executive Officer's report	2 – 8
Report of the directors	9 – 12
Statement of directors' responsibilities	13
Report of the independent auditors	14 – 15
Group statement of comprehensive income	16
Group statement of changes in equity	17
Company statement of changes in equity	18
Group and Company statements of financial position	19
Group and Company statements of cash flow	20
Statement of accounting policies	21 – 28
Notes to financial statements	29 – 50

Company information

Directors	Andrew Noel Cranswick – Chief Executive Officer Roy Clifford Tucker – Group Finance Director Herbert Stuart Bottomley – Non-Executive Director Michael Wallis Kellow – Technical Director
Secretary and registered office	Roy Clifford Tucker, FCA Nettlestead Place Nettlestead Maidstone Kent, ME18 5HA
Country of incorporation	United Kingdom
Legal form	Public limited company
Website	www.acrplc.com
Auditors	BDO LLP 55 Baker Street London W1U 7EU
NOMAD and Corporate Broker	Ambrian Partners Limited Old Change House 128 Queen Victoria Street London EC4V 4BJ
Bankers	Standard Bank Isle of Man Limited Standard Bank House 1 Circular Road Douglas Isle of Man 1M1 1SB Anglo Irish Banking Corporation plc 10 Old Jewry London EC2R 8DN
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registered number	05414325

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Chief Executive Officer's report

Introduction

Another financial year passes with no less volatility and adventure than expected. From fickle markets to uncertain politics, ACR presses forward with our original vision, regardless of short term distractions. The successful fund-raising completed in late 2009 has provided a solid cash reserve which is being carefully husbanded and clearly demonstrated the trust our shareholders place in this Board. Operationally, we have made strong progress and achieved some exciting results, particularly on the gold front where our JORC compliant resource now exceeds 1 million ounces, and we expect more good news in this regard over the coming year.

Zimbabwe and the region

As always, we should acknowledge early the elephant in the room. This company was established from day one to begin by operating primarily in Zimbabwe, recognising our advantages while knowing the potential risks. Our extraordinary successes on the discovery front have, perhaps inevitably, led to some controversial attention in other forms. Most recently these strange contradictions, of opportunity for success versus the potential dangers of that success, materialised by way of the unlawful and aggressive arrest of a company officer. Unfortunate and perhaps predictable as this may have been, it has been handled professionally from a personal, a legal and a public relations viewpoint. We continue to develop positive relationships within the Zimbabwean Government. In tandem with this, we continue our effort to bring investment to Zimbabwe, especially in the resource sector which offers the best hope for an early and sustained recovery within this, one of the world's most battered economies. Our interests are inextricably aligned with those of the people of Zimbabwe who wish to break the cycle of impoverishment and instead foster free and unfettered economic development. Only a competitive and transparent investment climate can achieve this. Patience, professionalism and a steady eye on the long-term future will remain our philosophy and strategy. Uncertainty has provided the opportunity and we will rise to the challenges which must emanate from that same uncertainty.

Having addressed the trying elements of the status quo, I would like to commend the current Government of Zimbabwe for their modernisation and deregulation of the gold pricing and export regime. Coupled with the complete dollarization of the economy, the scope for expansion and development of the gold mining sector is extremely exciting although it will take time to show the full benefit of these enlightened policies.

Without minimising the importance of our Zimbabwean portfolio, I am pleased to report that we have activated a strong exploration programme with appropriate alliances on our rare-earth (REEs) and phosphate prospects in Isoka, Zambia. Shortly to be expanded into second phase planning of our gold, copper and diamond prospects (Isoka and Kasempa), Zambia provides an interesting extension prospect for ACR's asset base and we expect to publish on-going information in this regard. It also provides another step along the road to becoming a more significant regional player in the sector.

Marange

The solution to the “diamond problem” of Zimbabwe is one that can so easily be turned into the “diamond windfall” for Zimbabwe. The solution is apparent and may be easily guided by the nation’s own laws which have been clear on this issue. ACR has not wavered from its willingness to compromise and settle the issue without further litigation and our efforts to achieve this continue on several fronts. As always there are clearly strong voices in Government which demand adherence to the rule of law and push for a positive, win-win outcome to the matter including a settlement with ACR. The quagmire of confusion that has been cultivated around the issue can only serve corrupt interests. We welcome and concur with the voices of reason and legality in Government who speak for the national interest.

The diamond industry as a whole has suffered from this ordeal and it needs to recognise the reputational importance of legitimacy, the essential and absolute respect for law, rights and ethics without which a consumer revolt against this product seems as inevitable as it would be disastrous for all involved. Again, ACR has striven towards a responsible and ethical approach with the ever-present threat of international litigation a course of last resort but one in which our rights remain entirely reserved. We have stayed the course and the majority of our shareholders have been unequivocal in their support for the Board’s stance, which is guided not only by the obvious value of the asset but also the implications for the region and therefore our entire project portfolio. The geopolitical dangers and regional economic considerations of a further deterioration of the status quo cannot be underestimated and I am somewhat relieved to note that the obvious urgency implied is now far better understood than before. I reiterate once again our desire for a legal, honest and ethical outcome in this matter.

ACR Strategy – Elephants notwithstanding

First-mover advantage in Zimbabwe coupled with excellent science, latest techniques and great personal energy in staff and management have served us well. We have established and continue to develop an asset base the envy of many resources companies. I have often heard from investors and analysts the opinion that ACR has by far the best footprint in Zimbabwe and hence is best poised for the classic turnaround revaluation paradigm. Indeed I believe this to be true and that we are very well positioned in that regard. However, we are not by any means a mineral property speculator. To the contrary, we continue to advance our portfolio of assets while remaining on the look-out for further acquisitions, be it for consolidation on existing ground or for the discovery and definition of new prospects. Excellent technical facilities and skills, extraordinary discoveries and an outstanding, well-knit team of committed individuals have built a foundation of human and intellectual capital that will continue to generate more shareholder value. Essentially, nothing in our grand vision and strategy has changed. Besides the continuing work pattern and value development, all that now remains is the turn-around itself.

Project Synopses

Gold

Our gold assets continue to live up to the higher end of our ambitions with a belated but better-than-expected maiden resource declared along the Blue Rock structures in the Gadzema greenstone belt of Zimbabwe's northern midlands. Consolidation of claims along strike continues and the exploratory drilling still underway will define the extent of mineralisation along this felsic porphyry belt. Airborne radiometric survey has provided an excellent guide for the identification of the proven host rock, and all that remains is the science to establish the extent of mineralisation therein. ACR controls several square kilometres of highly prospective ground predicted to contain the favourable host rock and I hope to be bringing a continued stream of good news to the market in this regard. The project provides good expectations of a broad pittable structure with wide, low-cost open-cast mining potential. In such a model, it is commonly economic to mine at a low cut-off grade and this again provides scope for a large resource. I regard this area as the highest priority of all our asset development plans and we intend to accelerate towards a pre-feasibility on our Gadzema suite (Blue Rock and Giant).

The immediate neighbour to the Blue Rock project, and within the Gadzema belt is the Giant Mine resource (already JORC compliant, pittable resources over 300,000 tr oz Au) and this close proximity provides additional impetus to the critical mass of a large prospect. Just completed is a combination of diamond and Reverse Circulation drilling totalling 3,500 metres on the Giant mine extensions. This was primarily to penetrate the dioritic portion of the southern end of the previously defined deposit. The diorite is known to be mineralised in the upper region but has until now never been fully tested to the extent of its width due to rock hardness. In addition, deeper drilling was completed beneath parts of the entire known ore body to an approximate vertical depth of 200 metres. I look forward to updating the market as assay results are received.

The on-going drilling along the greater Gadzema area and subsequent resource upgrades will eventually allow us to provide a specific timetable to take the project to production.

Some thirty kilometres to the west of the Gadzema belt lies the highly prospective northern Chakari greenstone belt. This trend holds promise for gold mineralisation where felsics, granitoids and quartz veins cross-cut tremolite/talc schists and banded iron formations. Artisanal mining activities are notably active revealing interesting mineralised structures. Detailed geochemistry was completed in 2009 and mapping covering 9 sq km of identified, positive anomalies has now been completed. This will immediately be followed by trenching and pitting across the prospective lithologies and followed by exploratory drilling subject to budget and drilling availability.

ACR has recently announced to the market the signing of an MOU with a group of mining professionals who have created a corporate structure for the purpose of building operating mines in Zimbabwe (currently referred to as SSSB). A more substantive agreement is likely to be signed in the near future and in summary this provides demonstration of our value-extraction strategy in respect of the more mature gold assets. In particular, the agreement will address the Pickstone / Peerless sites and the Gadzema projects. It is expected that a preliminary feasibility study will commence shortly.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

on the Peerless trend with a view to mining the oxide and sulphides in an open-pit model. This strategy fits our progression of these assets towards production and we expect to bring further news to the market as this plan unfolds.

The Pickstone sulphide tailings dump project was expected by now to be in positive cash flow but has been delayed due to the unilateral withdrawal of ACR's equity partner in the project, TWP. Their withdrawal, following a corporate takeover and a new Board, was attributed solely to investment risk associated with Zimbabwe's sovereign risk. ACR has dealt with this disruption carefully and methodically with regard to technical and legal considerations. Most importantly, and mindful of the importance of husbanding cash reserves in light of current risks and market climate, we have been studying the alternatives of funding the entire capital investment internally, seeking a financial partner, or delaying the project until the overall Pickstone Peerless project is more advanced. While we do remain strongly positive on the profitability of the project there are clearly longer term priorities that must be recognised and a final decision will be made with due regard to the imminent conclusion of the agreement with the SSSB group. The overriding mining strategy to govern ACR's northern midlands gold resources must also be considered as do cash reserve issues in the current, uncertain climate.

The anticipated cash flow from the tailings dumps may therefore be delayed but the current gold price levels remain healthy. The newly deregulated gold selling regime in Zimbabwe provides an added incentive to bring all possible production prospects closer to fruition. Worthy of note is that as a matter of prudence, large-scale exploration and resource drilling programmes on most projects have been somewhat scaled back until a final decision has been reached on investment in the dump.

Expansion plans to agglomerate other mature gold assets on a wider, national level remain an ambition that has been frustrated at least partially by political distractions revolving around diamond litigation and other issues such as unclear indigenisation legislation. Nevertheless, as mentioned above, consolidation on a more local scale around our projects has achieved good success and remains on-going.

Nickel

Perseverance nickel sulphide prospect

A deep-looking electromagnetic survey (VTEM) over 30km of strike length of the Perseverance nickel belt will be complete this year whereafter drilling will commence on specific conductive targets. This step has suffered technical and planning delays but we are now on track to complete this geophysics stage which is essential to fine-tune an informed drilling programme.

Horseshoe saprolitic nickel oxide deposit

Pitting continues to investigate the saprolitic nickel accumulation in the top 2-3m of weathered serpentinites on the Great Dyke. Grades are generally around 1% nickel. Additional specialist mapping has been carried out to better understand the weathering profile and its effect on nickel distribution as some grades seem higher and weathering deeper. It is envisaged that a track-mounted

drilling unit may be deployed before the rains to test deeper oxides for grade and chemistry. This remains a prospect with potential for a significant metal content and low-cost mining profile. As previously stated, metallurgy appears to be very conducive to atmospheric leaching and we remain intent on defining and declaring a resource from this deposit in the future.

Phosphate

In my opinion, phosphates and other mineral feed-stocks to the fertiliser industry must surely remain in a long-term bull trend. This belief stems from the direct link to food production and bio-fuel production from cultivated crops. These off-take sectors are linked in turn to continued population growth, the drive for energy security and the drive for clean, renewable energy.

ACR's primary phosphate project lies within the Chishanya carbonatite complex in southern Buhera district, Zimbabwe. One of the several hills comprising the complex has shown to be phosphate-rich in historic and modern prospecting, mostly at surface (4% to 26%) with an anticipated average grade of 10%+ P₂O₅. Metallurgical test work is in progress to establish a flotation methodology to upgrade the phosphate ore (in the form of apatite) to a rock phosphate concentrate (of approx 30% P₂O₅) and has proved positive to date. Mineralogy studies using a scanning electron microscope have indicated that most of the apatite crystals should be amenable to flotation, but samples to date are solely from the surface, where flotation tests are complicated by iron oxide present in the weathered mineral. Prior to further flotation tests, it is planned to drill two diamond core drill holes this month in order to obtain fresh rock samples upon which additional test work will be completed and so develop a comfort level on eventual mine-scale flotation processes. In addition, these core results will provide valuable data on the subsurface deposit thickness, grade and distribution of mineralisation. Subject to positive results on these two steps, ACR intends conducting a resource-definition phase of drilling.

In Zambia, ACR also controls the Nkombwa Hills carbonatite (see REEs below). Somewhat similar in genealogy to the Chishanya complex, Nkombwa contains what has been historically reported as a potentially significant phosphate deposit with estimates as high as 200 million tonnes of possibly economic grades in earlier studies. The mineralogy is unique to the deposit and ACR intends conducting test-work once the Chishanya work is complete to ascertain the amenability to flotation and acid treatment for phosphoric and super-phosphate production.

PGMs (Snakes Head)

Detailed, on-site mapping and analysis of surface geology by world-renowned expert, Dr Martin Prendergast, has resulted in the siting of four important holes which are specifically designed to test the hypothesis of the higher grade facies of the MSZ platinum reef in the extreme Northern escarpment of the Great Dyke. Man-portable rigs are now being sought to commence this exploratory drilling programme, which if successful, will be followed by a resource definition drilling programme. At that stage, ACR may pursue previously initiated discussions in connection with offshore funding and development partnerships on feasibility work and eventual production.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Diamonds – regional

In Zimbabwe most of ACR's extensive exploration has resulted in the discovery of several kimberlites and related anomalies. Until the clarification of government policy, the Kimberly Process Certification Scheme and the recently mooted new diamond laws, much of the budget for this activity has been reserved. An exploration plan for ACR's diamond-prospective Isoka region in Zambia is being formulated and we are hopeful of commencing that programme in the future.

Copper

On-going mapping has identified approximately 1,400m strike of surface copper mineralisation over old mine workings in the Makonde district. The area, last explored in the 1960s, lies in the Proterozoic Makonde Copperbelt, a belt which has remarkable similarities to the Congo Copperbelt. Five diamond drillholes totalling approximately 950m have been completed to test the down dip extensions to a depth of 150m.

As reported in May of this year, the drilling covered a strike length of 300m and intersected thick zones of mineralisation including both oxides (malachite and minor chrysocolla) and sulphides (pyrite, chalcopyrite and bornite). The sulphides are found disseminated throughout the dolomitic siltstone and shale and appear stratiform. The oxides occur preferentially along a major shear zone and along fracture zones via supergene enrichment and are up to 50m thick. Independent assays are still awaited (having suffered some unforeseen logistic delays) and if grades are encouraging, further drilling will be planned to explore strike and depth extensions followed by metallurgy tests. The Perseverance VTEM survey is planned to extend over this copper trend as the two areas are reasonably proximal and that survey may highlight additional target zones for sulphidic copper mineralisation in the area.

Rare Earth Elements (REEs)

As described above, the Nkombwa Hill project lies in North Eastern Zambia, near the town of Isoka, within ACR's 720 sq km Large Scale Prospecting Licence No 12198-HQ-LPL which was granted on 16 January 2010. This licence covers Proterozoic metasediments and basement gneisses, intruded by the Nkombwa Hill carbonatite. The carbonatite has historically been explored for phosphate, rare earths, and niobium. In June we announced that a joint venture heads of agreement had been signed with Australian-based private exploration company, Rare Earth International Ltd, to explore the project specifically for rare earth minerals. REEs reported from the carbonatite include cerium, lanthanum, neodymium, praseodymium and gadolinium. A compilation of historical work has been successfully completed and has highlighted the prospectivity of the area for these minerals. It has also revealed the existence of historical drill-core from drilling in the 1970s. That core has been located and discussions are under way with the Geological Survey department to release these for assay. In addition, recent site-visits have provided surface samples which are awaiting export to Johannesburg for assay.

As stated above, this Nkombwa project complements ACR's Chushanya Hill project in Zimbabwe, where considerable expertise has already been developed investigating the geology and metallurgy of

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

that similar intrusion ACR will be exploring the REE potential of Chishanya as a 100% owned project

Conclusion

Speed of recovery and stabilisation of world markets can be frustratingly slow and likewise the trend towards normalisation of governance and law enforcement in Zimbabwe. But as always we must remain focused on the various jobs at hand be they technical, financial, PR, lobbying or legal. Some investors consider ACR as something of a gamble, structured on one basic premise, but the truth is far more complex and robust than that view. Meanwhile I urge our shareholders, the Board and staff to continue our persistence towards achieving the long term targets we have set and maintain our positive and optimistic energy. I once again express my gratitude and admiration for the unswerving dedication this team has displayed in trying circumstances and exciting times.

This report has been reviewed by Mike Kellow BSc, a member of the Australian Institute of Geologists and Technical Director of ACR. Mr Kellow meets the definition of a "qualified person" as defined in the AIM Note for Mining, Oil and Gas Companies.

Report of the directors

for the year ended 31 March 2010

The directors present their report together with the audited financial statements for the year ended 31 March 2010

Results and dividends

The Group statement of comprehensive income is set out on page 15 and shows the loss for the year

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 mineral projects in Sub-Saharan Africa. Since incorporation the Group has built an interesting portfolio of projects in Zimbabwe and Zambia. The Chief Executive Officer's report provides additional information on the Group's projects and a review of the business.

The directors consider the Group's key performance indicators to be the rate of utilisation of the Group's cash resources and the on-going evaluation of its exploration assets. These are detailed below.

Cash Resources

As can be seen from the balance sheet, cash resources for the Group at 31 March 2010 were approximately \$15.4 million (2009 \$21 million), as a result of two equity placements which raised \$20.2 million (2009 \$0.5 million) net of issue costs. During the year the cash outflows from operations were \$1,669,158 (2009 \$1,652,624) and from investing activities was \$5,372,159 (2009 \$3,733,919). There was expenditure of some \$5.4 million on capital assets, the major part of which consisted of deferred exploration costs. The net monthly cash expenditure in the year to March 2010 was approximately \$587,000. This figure reflects some increased drilling activity on the prior year as well as on-going geochemical and geophysical work.

On the basis of a monthly cash overhead cost of \$140,000, the cash balance of the Group at the beginning of March 2010, allows significant head room for discretionary expenditure on exploration in the coming year.

Evaluation of Exploration Areas

The Group has licences or claims over a significant number of discrete areas of exploration. It is the Group's policy for the Board to review progress every quarter on each area in order to approve the timing and amount of further expenditure or to decide that no further expenditure is warranted. If no further expenditure is warranted for any area then the related costs will be written off. The board measures progression in each of its claim areas based on a number of factors including specific technical results, international commodity markets, claim holding costs and economic considerations.

Risks

The principal risks and uncertainties facing the Group are the normal ones inherent in carrying out exploration. Exploration for natural resources is speculative and involves significant risk. Drilling and operating risks include geological, geotechnical, seismic factors, industrial and mechanical incidents, technical failures, labour disputes and environmental hazards. In addition the Group faces particular country risks due to the fact that almost all of its operations are

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

currently in Zimbabwe where there is political and economic uncertainty. These country risks are further addressed in Note 1 to the Financial Statements.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 20 of the financial statements.

Purchase of own shares

During the year the Company, through African Consolidated Resources (PTC) Limited, acquired 12 million shares in the Company. The shares are held in trust by African Consolidated Resources (PTC) Limited for the purposes of an Employee Benefit Trust.

Charitable and political contributions

During the year the Group made charitable contributions of \$57,545 (2009 - \$36,835). The Group made no political contributions during the current year or prior year.

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 31 March 2010 was 39 days (2009 - 19 days).

Directors

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

	<u>Date of Appointment</u>	<u>Date of Resignation</u>	
Stuart Bottomley	27 05 05	-	
Andrew Cranswick	12 04 05	-	
Michael Kellow	22 03 06	-	
Roy Tucker	05 04 05	-	

Directors' interests

The interests in the shares of the Company of the Directors who served during the year were as follows -

	Ordinary Shares held at 31 March 2010 of 1p each	Share Options held at 31 March 2010	Ordinary Shares held at 31 March 2009 of 1p each	Share Options held at 31 March 2009
Stuart Bottomley	2,376,000	3,650,000	1,376,000	4,650,000
Andrew Cranswick	8,920,727	9,115,000	7,450,000	9,115,000
Michael Kellow	200,000	5,150,000	-	5,150,000
Roy Tucker	2,485,859	1,000,000	1,122,223	6,695,000

There were no post year-end acquisitions to date.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Share options Exercise price	Outstanding at 31 March 2009	Exercised during last 12 months	Transferred last 12 months	Granted during last 12 months	Outstanding at 31 March 2010	Final exercise date
Stuart Bottomley						
4 5p	2,000,000	(1,000,000)	-	-	1,000,000	Jun-11
12 0p	550,000	-	-	-	550,000	Jun-11
15 0p	550,000	-	-	-	550,000	Jun-11
18 0p	550,000	-	-	-	550,000	Jun-11
18 0p	1,000,000	-	-	-	1,000,000	Jun-11
	4,650,000	(1,000,000)	-	-	3,650,000	
Andrew Cranswick						
4 5p	1,000,000	-	-	-	1,000,000	Jun-11
12 0p	1,705,000	-	-	-	1,705,000	Jun-11
15 0p	1,705,000	-	-	-	1,705,000	Jun-11
18 0p	1,705,000	-	-	-	1,705,000	Jun-11
18 0p	3,000,000	-	-	-	3,000,000	Jun-11
	9,115,000	-	-	-	9,115,000	
Michael Kellow						
4 5p	2,500,000	-	-	-	2,500,000	Jun-11
12 0p	550,000	-	-	-	550,000	Jun-11
15 0p	550,000	-	-	-	550,000	Jun-11
18 0p	550,000	-	-	-	550,000	Jun-11
18 0p	1,000,000	-	-	-	1,000,000	Jun-11
	5,150,000	-	-	-	5,150,000	
Roy Tucker						
4 5p	2,000,000	(1,000,000)	-	-	1,000,000	Jun-11
12 0p	898,334	-	(898,334)	-	-	Jun-11
15 0p	898,334	-	(898,334)	-	-	Jun-11
18 0p	898,332	-	(898,332)	-	-	Jun-11
18 0p	2,000,000	-	(2,000,000)	-	-	Jun-11
	6,695,000	(1,000,000)	(4,695,000)	-	1,000,000	
Total	25,610,000	(2,000,000)	(4,695,000)	-	18,915,000	

R C Tucker sold to adult members of his family the option to acquire 4,695,000 shares, all exercisable at any time up to 29 June 2011, for an aggregate sum of £9,000. The value of £9,000 was assessed as a market value based on the review of an independent valuer.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Employee Benefit Trust	Exercise price	Outstanding at	Exercised during last	Granted during last	Outstanding at	Exercise date
		31 March 2009	12 months	12 months	31 March 2010	
Stuart Bottomley	1p	-	-	1,500,000	1,500,000	50% Jul-10 and 50% Jul-11
Andrew Cranswick	1p	-	-	3,000,000	3,000,000	50% Jul-10 and 50% Jul-11
Michael Kellow	1p	-	-	2,000,000	2,000,000	50% Jul-10 and 50% Jul-11
Roy Tucker	1p	-	-	1,500,000	1,500,000	50% Jul-10 and 50% Jul-11
Total		-	-	8,000,000	8,000,000	

See note 22 for further details of the EBT

Directors' remuneration

	Basic salary/fees	Pension	Medical aid	Total 2010	Total 2009
	\$	\$	\$	\$	\$ Restated
Stuart Bottomley	34,280	-	-	34,280	40,389
Andrew Cranswick	119,400	-	3,332	122,732	157,978
Ian Fisher	-	-	-	-	14,499
Michael Kellow	109,150	10,428	3,545	123,123	173,342
Roy Tucker	132,608	-	-	132,608	163,284
	395,438	10,428	6,877	412,743	549,492

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

Auditors

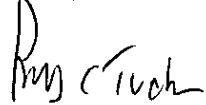
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant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

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Post balance sheet events

There were no other material post balance sheet events.

By order of the Board


Roy Tucker
Secretary

17 August 2010

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company'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 Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Report of the independent auditors

We have audited the financial statements of African Consolidated Resources plc for the year ended 31 March 2010 which comprise the Group statement of comprehensive income, the Group and Company statements of changes in equity, the Group and Company statements of financial position and the Group and Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2010 and of the Group's and the parent company's loss for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

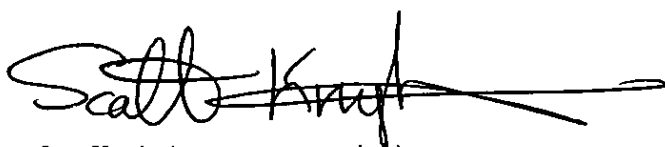
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU
United Kingdom
August 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Group statement of comprehensive income
for the year ended 31 March 2010

		31 March 2010 Group \$	13-month period to 31 March 2009 Group \$ Restated
Revenue		-	-
Share options expenses	22	(214,673)	(969,777)
Other administrative expenses		(2,343,570)	(1,377,127)
Administrative expenses		(2,558,243)	(2,346,904)
Operating loss	3	(2,558,243)	(2,346,904)
Finance income	5	22,240	188,294
Loss before and after taxation attributable to the equity holders of the parent company		(2,536,003)	(2,158,610)
Other comprehensive income			
Gain/(loss) on available for sale financial assets		10,787	(36,812)
Foreign exchange adjustment on retranslation to US Dollars		-	(1,729,939)
Total other comprehensive income / (loss)		10,787	(1,766,751)
Total comprehensive loss attributable to the equity holders of the parent company		(2,525,216)	(3,925,361)
Loss per share – basic and diluted	9	(0 87) cents	(0 97) cents

All amounts above relate to continuing operations

The accompanying accounting policies and notes on pages 21 to 50 form an integral part of these financial statements

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Group Statement of Changes in Equity
for the year ended 31 March 2010

Group	Share capital account	Share premium account	Share option reserve	Foreign currency translation reserve	Available for sale reserve	EBT reserve	Retained earnings/ (losses)	Total
	\$	\$	\$	\$	\$		\$	\$
At 29 February 2008 - Restated	4,083,043	19,981,679	1,380,231	(124,952)	7,518		(5,728,450)	19,599,069
Total comprehensive loss for the period	-	-	-	(1,729,939)	(36,812)	-	(2,158,610)	(3,925,361)
Credit in respect of share option charges	-	-	969,777	-	-		-	969,777
Share options exercised	-	-	(19,516)	-	-		19,516	-
Shares issued								
- in respect of share options	55,215	501,808	-	-	-		-	557,023
At 31 March 2009 - Restated	4,138,258	20,483,487	2,330,492	(1,854,891)	(29,294)		(7,867,544)	17,200,508
Total comprehensive loss for the year	-	-	-		10,787		(2,536,003)	(2,525,216)
Credit in respect of share option charges	-	-	40,883	-	-		-	40,883
Share options exercised	-	-	(104,777)		-		104,777	-
Shares issued								
- for cash consideration	1,863,263	18,704,404	-	-	-		-	20,567,667
- in respect of share options	79,762	279,168	-	-	-		-	358,930
- to the EBT	198,206	1,536,099	-	-	-	(1,734,305)	-	-
- share issue costs	-	(710,567)	-	-	-		-	(710,567)
At 31 March 2010	6,279,489	40,292,591	2,266,598	(1,854,891)	(18,507)	(1,734,305)	(10,298,770)	34,932,205

The accompanying accounting policies and notes on pages 21 to 50 form an integral part of these financial statements

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Company Statement of Changes in Equity
for the year ended 31 March 2010

Company	Share capital account	Share premium account	Share option reserve	Foreign currency translation reserve	EBT reserve	Retained earnings/ (losses)	Total
	\$	\$	\$	\$		\$	\$
At 29 February 2008 – Restated	4,083,043	19,981,679	1,380,231	871,568	-	(4,517,310)	21,799,211
Total comprehensive loss for the period	-	-	-	(5,825,345)	-	(1,439,353)	(7,264,698)
Credit in respect of share options charges	-	-	969,777	-	-	-	969,777
Share options exercised	-	-	(19,516)	-	-	19,516	-
Shares issued							
- for cash consideration	-	-	-	-	-	-	-
- in respect of share options	55,215	501,808	-	-	-	-	557,023
At 31 March 2009 - Restated	4,138,258	20,483,487	2,330,492	(4,953,777)	-	(5,937,147)	16,061,313
Total comprehensive loss for the year	-	-	-	-	-	(903,568)	(903,568)
Credit in respect of share option charges	-	-	40,883	-	-	-	40,883
Share options exercised	-	-	(104,777)	-	-	104,777	-
Shares issued							
- for cash consideration	1,863,263	18,704,404	-	-	-	-	20,567,667
- in respect of share options	79,762	279,168	-	-	-	-	358,930
- to the EBT	198,206	1,536,099	-	-	(1,734,305)	-	-
- share issue costs	-	(710,567)	-	-	-	-	(710,567)
At 31 March 2010	6,279,489	40,292,591	2,266,598	(4,953,777)	(1,734,305)	(6,735,938)	35,414,658

The accompanying accounting policies and notes on pages 21 to 50 form an integral part of these financial statements

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

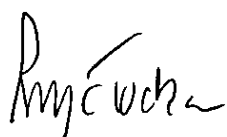
Group and Company statements of financial position

As at 31 March 2010

	Note	31 March 2010 Group \$	31 March 2009 Group \$ Restated	29 February 2008 Group \$ Restated	31 March 2010 Company \$	31 March 2009 Company \$ Restated	29 February 2008 Company \$ Restated
Assets							
Non-current assets							
Intangible assets	11	19,017,852	14,328,741	10,646,377	3,332,387	1,912,770	996,546
Property, plant and equipment	12	1,114,945	809,836	753,900	77,271	82,523	59,130
Available for sale investments	13	24,417	24,417	49,810	566	566	566
Investment in subsidiaries	14	-	-	-	219,104	1,316	1,316
Advance to group companies	15	-	-	-	17,546,296	12,317,701	12,707,639
		20,157,214	15,162,994	11,450,087	21,175,624	14,314,876	13,765,197
Current assets							
Inventory	16	19,744	21,863	50,603	-	-	-
Receivables	17	509,447	121,074	323,362	170,096	82,624	281,898
Available for sale investments	18	16,469	5,682	52,627	-	-	-
Cash and cash equivalents		15,398,926	2,144,390	8,220,007	14,983,099	1,825,716	8,203,475
Total current assets		15,944,586	2,293,009	8,646,599	15,153,195	1,908,340	8,485,373
Total Assets		36,101,800	17,456,003	20,096,686	36,328,819	16,223,216	22,250,570
Equity and Liabilities							
Capital and reserves attributable to equity holders of the Company							
Called-up share capital	21	6,279,489	4,138,258	4,083,043	6,279,489	4,138,258	4,083,043
Share premium account	21	40,292,591	20,483,487	19,981,679	40,292,591	20,483,487	19,981,679
Available for sale reserve	23	(18,507)	(29,294)	7,518	-	-	-
Share option reserve	23	2,266,598	2,330,492	1,380,231	2,266,598	2,330,492	1,380,231
Foreign currency translation reserve	23	(1,854,891)	(1,854,891)	(124,952)	(4,953,777)	(4,953,777)	871,568
EBI reserve	23	(1,734,305)	-	-	(1,734,305)	-	-
Retained earnings	23	(10,298,770)	(7,867,544)	(5,728,450)	(6,735,938)	(5,937,147)	(4,517,310)
Total equity		34,932,205	17,200,508	19,599,069	35,414,658	16,061,313	21,799,211
Current liabilities							
Trade and other payables	19	1,169,595	255,495	497,617	914,161	161,903	451,359
Total current liabilities		1,169,595	255,495	497,617	914,161	161,903	451,359
Total Equity and Liabilities		36,101,800	17,456,003	20,096,686	36,328,819	16,223,216	22,250,570

The accompanying accounting policies and notes on pages 21 to 50 form an integral part of these financial statements
The accounts on pages 13 to 38 were approved and authorised for issue by the Board of Directors on 17 August 2010 and were signed on its behalf by

Roy C Tucker
Director



Registered number 05414325

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Group and Company statements of cash flow
for the year ended 31 March 2010

	2010 Group \$	2009 Group \$ Restated	2010 Company \$	2009 Company \$ Restated
CASH FLOW FROM OPERATING ACTIVITIES				
Loss for the year	(2,536,003)	(2,158,610)	(903,568)	(1,439,353)
Adjustments for:				
Depreciation	88,410	97,041	10,106	13,379
Unrealised exchange gain on cash and cash equivalents	(78,033)	(518,958)	(154,091)	(432,978)
Finance income	(22,240)	(188,294)	(536,422)	(709,981)
Profit on sale of available for sale investments	-	(34,229)	-	-
Loss/(Profit) on sale of property, plant and equipment	25,935	(64,565)	3,333	(4,201)
Share option charges	214,673	969,777	214,673	969,777
	228,745	260,772	(462,401)	(164,004)
Changes in working capital:				
(Increase)/Decrease in receivables	(373,455)	136,742	(72,554)	119,212
Decrease in inventories	2,119	14,368	-	-
Increase/(Decrease) in payables	740,310	(127,086)	361,680	(161,264)
	368,974	24,024	289,126	(42,052)
Cash generated from operations	(1,938,284)	(1,873,814)	(1,076,843)	(1,645,409)
Investing activities.				
Payments to acquire intangible assets	(4,395,777)	(3,461,173)	(1,411,013)	(1,227,457)
Payments to acquire property, plant and equipment	(760,192)	(442,278)	(36,791)	(60,222)
Payments to acquire investment in subsidiaries	-	-	(1,000)	-
Proceeds on disposal of property, plant and equipment	47,404	132,675	-	8,700
Proceeds on disposal of available for sale investments	-	69,753	-	-
Increase in advance to group companies	-	-	(4,691,399)	(2,888,999)
Interest received	7,322	188,294	4,308	709,981
	(5,101,243)	(3,512,729)	(6,135,895)	(3,457,997)
Financing Activities.				
Proceeds from the issue of ordinary shares, net of issue costs	20,216,030	557,023	20,216,030	557,023
Increase/(Decrease) in cash and cash equivalents	13,176,503	(4,829,520)	13,003,292	(4,546,383)
Cash and cash equivalents at beginning of year	2,144,390	8,220,007	1,825,716	8,203,475
Exchange loss arising on presentation in US\$	-	(1,765,055)	-	(2,264,354)
Exchange gain on cash and cash equivalents	78,033	518,958	154,091	432,978
Cash and cash equivalents at end of year	15,398,926	2,144,390	14,983,099	1,825,716

The accompanying notes and accounting policies on pages 21 to 50 form an integral part of these financial statements

Statement of accounting policies **for the year ended 31 March 2010**

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 year and prior year presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

The consolidated financial statements incorporate the results of African Consolidated Resources plc and its subsidiary undertakings as at 31 March 2010.

The Company changed its financial year end in March 2009 for administration purposes from 28 February to 31 March giving rise to a 13 month comparative period. As a result comparatives for the statements of comprehensive income and of cash flow movements for the period ended 31 March 2009 are not directly comparable to the year ended 31 March 2010. The statement of financial position as at 29 February 2008 and related notes are included as required by *LAS 1 Presentation of financial statements – a revised approach*. This is required as a result of the restatement of the prior year financial statements from Pounds Sterling to United States Dollars (as explained below).

The Group has sufficient cash resources to support minimum spend requirements and general overheads. The directors may, subject to market conditions, seek to raise additional funds to accelerate exploration and capital development work. As a result the going concern basis has been adopted in preparing the financial statements and the directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

In the preparation of the financial statements the directors have considered the current political and economic uncertainty in Zimbabwe and the impact on the Group and Company.

The formation of a Government of National Unity in 2008, followed by the introduction of a multi-currency system in February 2009, went a long way to alleviate the hyper-inflation and difficult trading conditions which preceded it. Whilst divisions remain in the Unity Government, progress has been made on several fronts, particularly the economic front. The policy on Indigenisation remains unclear with several conflicting statements being made by both sides within the Unity Government. The Government intends to clarify its Indigenisation policy sector by sector, in the forthcoming parliamentary period. The related issues pertaining to the mining sector remain under debate between Government and the Chamber of Mines. There have been no actions of nationalisation to date that the Directors are aware of.

The Minister of Finance presented his mid-year fiscal policy review in July 2010, in which changes to certain mining tax legislation was proposed, including an increase in royalties on precious metals from 3.5% to 4%. In addition, he referred to a material review of mining tax legislation in general, the details of which are awaited in his main budget proposal speech in November 2010. He also made mention of the importance of retaining and attracting foreign investment in Zimbabwe.

The directors have further considered the quality of the assets held by the Company through its investment in its subsidiary undertakings in Zimbabwe. They have concluded that whilst the current political and economic uncertainty gives rise to uncertainty over the ability of the Group and Company to realise the value of the Group's assets and the Company's investment in Zimbabwe for the benefit of the Company's shareholders, the directors remain confident that in the longer term, it will not materially impact the Company's ability to realise the value of its investments for its shareholders.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Change in functional and presentational currency

Effective 1 October 2009, the Company and all subsidiaries changed their functional currency from pounds sterling to the United States dollar ('\$'). This change was made following the adoption of a multi-currency system in Zimbabwe and due to the level of expenditure across all Group companies in \$, as well as the anticipation that all future revenues will be generated in \$. The directors consider the \$ to most faithfully represent the economic effects of the underlying transactions, events and conditions in the Company. In accordance with International Financial Reporting Standards, this change in functional currency has been accounted for prospectively and from 1 October 2009, the books and records of all Group companies have been maintained in \$, with transactions arising in currencies other than \$ being translated at the rate of exchange on the date of the transaction and monetary assets and liabilities held in currencies other than \$ being translated at each reporting date at the exchange rate applicable on the date.

Concurrent with this change in functional currency, the Group and Company adopted the \$ as its presentational currency and consequently the financial information for the 13-month period ended 31 March 2009, and at 29 February 2008 and 1 March 2007 (where applicable) has been retranslated to \$ and presented as 'restated'.

In order to retranslate the information for the 13-month period ending 31 March 2009 and the years ended 29 February 2008 and 28 February 2007 (as applicable) the following was applied:

- Statement of financial position items were translated at the exchange rates on the 31 March 2009, 29 February 2008 and 28 February 2007 (as applicable) of \$1 420 878 £1, \$1 984 5 £1 and \$1 964 2 £1 respectively, except for those specific items listed below.
- The statement of comprehensive income for the 13-month period to 31 March 2009 was translated at an average exchange rate of \$1 657 £1.
- All historical issues of share capital (including the exercise of share options) were translated at the rate on the date of the share issue.
- Other movements in reserves e.g. retained losses, credit in respect of share option charges, were translated at the average rates for each reporting period from the date of inception of the Company.
- Fixed assets were re-translated at the historical exchange rates on the dates of the transactions, or where applicable were stated at their original \$ values.
- Deferred exploration costs were re-translated into US\$ at the average annual exchange rates since inception.
- All balances for the year-ending 31 March 2010 were kept in \$ in anticipation of a change in functional currency and therefore in the 6-month period to 30 September 2009, a complete set of data in \$ was available and used in the preparation of the financial statements in \$.

As a result of retranslating the historical financial information for the purposes of the change in presentational currency, management used the retranslated financial information as at 1 October 2009 for the purposes of the opening balances for the change in functional currency for all Group companies.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Changes in Accounting Policies

New standards, amendments to published standards and interpretations to existing standards effective on 1 April 2009 adopted by the Group and Company. The impact of the new and amended standards and interpretations was an increase in the level of disclosure, particularly in respect of the disclosure of operating segment information, there was no impact on the balances reported.

New and revised standards effective for 31 March 2010 period-ends	Standard	Effective for annual periods beginning on or after
New Standard	IFRS 8 – Operating Segments	1 January 2009
Amendments	IFRS 1 – First time adoption of International Financial Reporting Standards IFRS 1 and IAS 27 – Cost of an Investment in a subsidiary, jointly controlled entity or associate IFRS 7 – Improving disclosures about financial instruments Improvements to IFRSs (2009) IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations IAS 1 – Presentation of Financial Statements – A revised Approach IAS 23 – Borrowing Costs IAS 32 and 1 - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009 1 January 2009 1 January 2009 1 January 2009 1 January 2009 1 January 2009 1 January 2009 1 January 2009
Interpretations	IFRIC 15 - Agreements for the Construction of Real Estate	1 January 2009

New standards, amendments to published standards and interpretations to existing standards in issue but not yet effective, that will be applicable to the Group and Company in the future.

New and revised standards issued but not effective for 31 March 2010 period-ends	Standard	Effective for annual periods beginning on or after
New Standard	IFRS 9 Financial Instruments	1 January 2013
Amendment	Embedded Derivatives (Amendments to IFRIC 9 and IAS 39) Amendments to IAS 27 Consolidated and Separate Financial Statements Amendment to IAS 39 Financial Instruments Recognition and Measurement Eligible Hedged Items Improvements to IFRSs (2009) Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2) Additional Exemptions for First-time Adopters (Amendments to IFRS 1) Classification of Rights Issues (Amendment to IAS 32) Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards Revised IAS 24 Related Party Disclosures IFRS 3 Revised – Business Combinations	30 June 2009 (1 January 2009) 1 July 2009 1 July 2009 1 January 2010 1 January 2010 1 January 2010 1 February 2010 1 July 2010 1 January 2011 1 July 2009

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

	Amendments to IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2011
	Improvements to IFRSs (2010) *	1 January 2011
Interpretations	IFRIC 17 – Distribution of non-cash assets to owners	1 July 2009
	IFRIC 18 – Transfer of assets from customers	1 July 2009
	IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 April 2010
	(Issued 26 November 2009) *	

Items marked* had not yet been endorsed by European Union at the date that these financial statements were approved and authorised for issue by the Board. The standards listed above are not yet effective and are not expected to have a significant impact on the Group.

The preparation of the Group financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

a) Useful lives of property, plant & equipment

Property, plant and equipment are depreciated over their useful economic lives. Useful economic lives are based on management's estimates of the period that the assets will be in operational use, which are periodically reviewed for continued appropriateness. Due to the long life of certain assets, changes to estimates used can result in significant variations in the carrying value. More details, including carrying values, are included in note 12 to the financial statements.

b) Impairment of intangibles

The Group reviews, on an annual basis, whether deferred exploration costs, mining options and licence acquisition costs have suffered any impairment. The recoverable amounts are determined based on an assessment of the economically recoverable mineral reserves, the ability of the Group to obtain the necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition of recoverable reserves. Actual outcomes may vary. More details, including carrying values, are included in note 11 to the financial statements.

c) Share based payments

The Group operates an equity settled share based remuneration scheme for key employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of equity instruments at the date of grant. The fair value of the share options is estimated by using the Black Scholes model on the date of grant based on certain assumptions. Those assumptions are described in note 22 and include, among others, the expected volatility and expected life of the options.

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.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

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 Group statement of comprehensive income 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.

Revenue

The Group and Company had no revenue during the year.

Foreign currency

The functional currency of the Company and all of its subsidiaries is United States Dollars, which is the currency of the primary economic environment in which the Company and all of its subsidiaries operate. This is a change to previous years where the functional currency was in Pounds Sterling.

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 date of the statement of financial position. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

In accordance with the UK Registrar of companies requirement the exchange rates applied at each reporting date were as follows:

- 31 March 2010 \$1 5067 £1
- 31 March 2009 \$1 4209 £1
- 29 February 2008 \$1 9845 £1
- 28 February 2007 \$1 9642 £1

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. The present value is calculated by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money at that time. A corresponding property, plant and equipment 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 property, plant and equipment assets. As at the reporting date the Group had no such provision.

Share based payments

Equity-settled share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting 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.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

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 profit or loss over the remaining vesting period

Where equity instruments are granted to persons other than employees, the fair value of goods and services received is charged to profit or loss, except where it is in respect to costs associated with the issue of shares, in which case, it is charged to the share premium account

Cash-settled share based payments

The Company also has cash-settled share based payments arising in respect of the EBT set up during the year (see below and Note 22) A liability is recognised in respect of the fair-value of the benefit received under the EBT and charged to profit or loss over the vesting period The fair-value is re-measured at each reporting date with any changes taken to profit or loss

Employee Benefit Trust ("EBT")

The Company has established an Employee Benefit Trust The assets and liabilities of this trust comprise shares in the Company and loan balances due to the Company The Company includes the EBT within its accounts and therefore recognises an EBT reserve in respect of the amounts loaned to the EBT and used to purchase shares in the Company Any cash received by the EBT on disposal of the shares it holds will be recognised directly in equity Any shares held by the EBT are treated as cancelled for the purposes of calculating earnings per share

Tax

The major components of income tax on the profit or loss include current and deferred tax

Current tax

Current tax is based on the profit or loss 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 statement of comprehensive income, 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 tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on

- The initial recognition of goodwill,
- Goodwill for which amortisation is not tax deductible
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the differences will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when deferred tax liabilities/(assets) are settled/(recovered) Deferred tax balances are not discounted

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Intangible assets

Deferred development and exploration costs

Once a licence has been obtained, 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 Group, the related costs will be written off.

Unevaluated mining properties are assessed at each year end and where there are indications of impairment these costs are written off to the income statement. 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.

If commercial reserves are developed, the related deferred development and exploration costs are then reclassified as development and production assets within property, plant and equipment.

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 and are subsequently carried at depreciated 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.

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 assets

The Group's financial assets consist of cash and cash equivalents, other receivables and available for sale investments. The Group's accounting policy for each category of financial asset is as follows:

Loans and receivables These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents comprises cash in hand and balances with banks. Cash equivalents are short term, highly liquid accounts that are readily converted to known amounts of cash. They include short term bank deposits originally purchased with maturities of less than three months.

There is no significant difference between the carrying value and fair value of receivables.

Available for sale Non-derivative financial assets not included in the categories above are classified as available-for-sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes evidence of impairment, for example if the decline is significant or prolonged, the amount of the loss is removed from equity and recognised in the profit or loss for the year.

Financial liabilities

The Group's financial liabilities consist of trade and other payables, which are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable 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.

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 profit or loss on a straight line basis over the term of the lease.

Pension costs

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Notes to financial statements
For the year ended 31 March 2010

2 Segmental analysis

The Group operates in one business segment, the exploration and development for mineral assets and only has interests in one geographical segment being Southern Africa, primarily Zimbabwe. The Group has not generated any revenue to date and therefore no disclosures are provided with respect to revenues.

The Group's operations are reviewed by the Board (which is considered to be the Chief Operating Decision Maker ('CODM')) on a project by project basis and split between exploration and development and administration and corporate costs.

Exploration and development is reported to the CODM only on the basis of those costs incurred directly on projects, once incurred. All costs incurred on the projects are capitalised in accordance with IFRS 6, including depreciation charges in respect of tangible assets used on the projects.

Administration and corporate costs are further reviewed on the basis of where they are incurred, being either Southern Africa or the UK.

Decisions are made about where to allocate cash resources based on the status of each project and according to the Group's strategy to develop the projects. Each project, if taken into commercial development, has the potential to be a separate operating segment. Operating segments are disclosed below on the basis of the split between exploration and development and administration and corporate. Further information is provided on the non-current intangible assets attributable to exploration and development on a project by project basis as this is the primary basis for reviewing operating segments.

2010	Exploration and development	Administration and corporate	Total
	\$	\$	\$
Depreciation	293,334	88,410	381,744
Share based payments	-	214,673	214,673
Interest revenues	-	22,240	22,240
Loss for the period	-	2,536,003	2,536,003
Total assets	35,016,385	1,085,415	36,101,800
Total non-current assets	19,208,928	948,286	20,157,214
Additions to non-current assets	5,406,244	43,059	5,449,303
Total current assets	15,807,457	137,129	15,944,586
Total liabilities	355,300	814,215	1,169,515
2009			
Depreciation	221,191	97,041	318,232
Share based payments	-	969,777	969,777
Interest revenues	-	188,294	188,294
Loss for the period	-	2,158,610	2,158,610
Total assets	16,795,165	660,838	17,456,003
Additions to non-current assets	14,565,167	597,827	15,162,994
Additions to intangible assets in the year	3,731,826	392,816	4,124,642
Total current assets	2,229,998	63,011	2,293,009
Total liabilities	27,023	228,472	255,495

There are no non-current assets held in the Company's country of domicile, being the UK (2009 \$nil)

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Non-current intangible assets by project	2010	2009
	Group	Group
	\$	\$
		Restated
<i>Gold</i>		
Giant	3,367,489	3,076,465
Blue Rock	2,061,732	392,556
Chakari Gold	83,347	39,669
Pickstone Peerless	6,655,210	6,021,345
Pickstone Dump Project	346,339	-
One Step	446,959	402,435
<i>Copper</i>		
Cedric	279,052	20,000
<i>Diamonds</i>		
Diamond Regional	2,343,860	1,749,919
Marange	1,144,207	699,047
<i>Phosphates</i>		
Chishanya	146,377	947
<i>Nickel</i>		
Perseverance	1,028,400	954,061
<i>Platinum Group Elements</i>		
Snake's Head	821,492	807,212
<i>Various</i>		
Other	293,388	165,085
	<hr/> 19,017,852	<hr/> 14,328,741

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

3 Group loss from operations

	2010	2009
	Group	Group
	\$	\$
Operating loss is stated after charging/(crediting)		Restated
Annual Return Fees	56,848	37,300
Auditors' remuneration	149,449	7,470
Charitable contributions	57,545	36,835
Depreciation	88,410	97,041
Computer Expenses	58,773	30,592
Consulting Fees	468,823	553,483
Employee pension costs	10,428	13,981
Employee share option expense	214,673	969,777
Foreign exchange gains	(78,033)	(518,958)
Insurance	42,194	32,305
Legal & Secretarial Fees	147,505	42,328
Marketing	114,307	76,094
Office lease	96,077	72,376
Repairs and Maintenance	49,159	44,998
Telephone & Fax	63,959	70,588
Transport, Oils and Fuel Costs	73,809	70,968
Travel & Accommodation	175,756	244,999
Wages and salaries (note 7)	415,849	358,956
Other administration costs	326,777	204,565
(Profit)/Loss on disposal of financial assets	-	(34,229)
Loss/(Profit) on disposal of property, plant and equipment	25,935	(64,565)
	<u>(2,558,243)</u>	<u>(2,346,904)</u>

\$40,883 (2009 \$969,777) of the employee share option expense arises on equity-settled share based payment transactions and \$173,790 (2009 \$Nil) arises on cash-settled share based payment transactions

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

4	Auditors' remuneration	2010	2009
		Group	Group
		\$	\$
			Restated
	<i>Audit services</i>		
	Statutory audit of the Company - 2010	52,735	-
	Statutory audit of subsidiaries - 2010	13,630	-
	Statutory audit of the Company - 2009	55,235	7,470
	Statutory audit of subsidiaries - 2009	19,588	-
	<i>Non-audit services</i>		
	For tax valuation on EBT	8,261	-
		<hr/> 149,449	<hr/> 7,470
5	Finance income		
	Interest received on bank deposits	22,240	188,294
		<hr/>	<hr/>
6	Taxation	2010	2009
		Group	Group
		\$	\$
			Restated
	There is no tax charge arising for the Group for the year		
	The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained		
	Loss before taxation	2,536,003	2,158,609
	Loss before taxation at the standard rate of corporation tax in the UK of 28% (2009 28%)	(701,081)	(604,410)
	Expenses disallowed for tax	60,108	355,178
	Deduction on exercise of share options	(122,907)	-
	Loss carried forward	772,880	249,232
	Tax charge for the year	<hr/> -	<hr/> -
	Factors that may affect future tax charges		
	At the 31 March 2010, the Company had UK tax losses of approximately \$3,234,276 (2009 \$2,130,644) carried forward which can 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 is being recognised in respect of these losses		

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

7 Employees

Staff costs (including directors) consist of:	Group 2010 \$	Group 2009 \$ Restated	Company 2010 \$	Company 2009 \$ Restated
Wages and Salaries - management	254,610	310,522	206,559	293,602
Wages and Salaries – other	161,239	48,434	-	-
	415,849	358,956	206,559	293,602
Consultancy fees	711,419	607,207	663,751	595,494
Social Security costs	48,970	7,465	2,488	3,616
Healthcare costs	17,147	8,028	17,147	8,028
Pension costs	10,428	13,982	10,428	13,982
	1,203,813	995,638	900,373	914,722

The average number of employees (including directors) during the year was as follows

	Group 2010 Number	Group 2009 Number	Company 2010 Number	Company 2009 Number
Management	7	7	7	7
Other operations	61	48	-	-
	68	55	7	7

8 Directors' remuneration	2010 \$	2009 \$ Restated
Directors' emoluments	206,559	293,602
Company contributions to pension schemes	10,428	13,982
Healthcare costs	6,877	8,028
Amounts paid to third parties in respect of directors' services	188,879	233,880
Share based payment charges	120,530	686,664
Directors and key management remuneration	533,273	1,236,156
Gain on share options exercised by directors (not charged to profit or loss as explained below)	135,295	214,656

The directors are considered to be the key management of the Group and Company

Emoluments paid to the highest paid director, including amounts paid to third parties in respect of directors services and including share based payment charges is \$163,847 (2009 \$163,284)

One director (2009 one) accrued benefits under a defined contribution pension scheme during the year. Two directors (2009 one) exercised 1,000,000 share options each during the year (refer note 22). The gain on exercise of the options amounted to \$135,295 (2009 \$214,656). This is not charged to profit or loss as the fair value of the options issued is reflected in the share based payment charges. All four directors have share options receivable under long term incentive schemes.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

9	Loss per share	2010 Group	2009 Group Restated
	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 year is	291,512,289	222,816,217
	Losses for the Group for the year are (\$)	(2,536,003)	(2,158,610)
	Loss per share basic and diluted	(0.87c)	(0.97c)
	The effect of all potentially dilutive share options is anti-dilutive. Details of the share options which may dilute the loss per share are disclosed in note 22 in the financial statements		

10 **Loss for the financial year**

The Company has taken advantage of the exemption allowed under Section 408(1b) of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Group loss for the year includes a loss after taxation of \$903,568 (2009: \$1,439,353), which is dealt with in the financial statements of the parent company.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

11 Intangible assets	Deferred	Mining options	Licence	Total
Group	exploration costs		acquisition costs	
	\$	\$	\$	\$
Cost at 31 March 2009	10,266,321	-	4,062,420	14,328,741
Additions during the year	3,906,285		782,826	4,689,111
Disposals during the year	-	-	-	-
Cost at 31 March 2010	14,172,606	-	4,845,246	19,017,852
Cost at 29 February 2008	7,057,255	31,186	3,557,936	10,646,377
Additions during the period	3,209,066	-	473,298	3,682,364
Reclassification during the period	-	(31,186)	31,186	-
Disposals during the period	-	-	-	-
Cost at 31 March 2009 - Restated	10,266,321	-	4,062,420	14,328,741
Cost at 28 February 2007	5,303,259	86,186	3,522,493	8,911,938
Additions during the period	1,757,691		35,443	1,793,134
Disposals during the period	(3,695)	(55,000)	-	(58,695)
Cost at 29 February 2008 - Restated	7,057,255	31,186	3,557,936	10,646,377
Company				
Cost at 31 March 2009	1,458,321	-	454,449	1,912,770
Additions during the year	724,291	-	715,326	1,439,617
Disposals during the year	-	-	(20,000)	(20,000)
Cost at 31 March 2010	2,182,612	-	1,149,775	3,332,387
Cost at 29 February 2008	880,270	31,186	85,090	996,546
Additions during the period	908,234		338,173	1,246,407
Reclassification during the period	-	(31,186)	31,186	-
Disposals during the period	(330,183)	-	-	(330,183)
Cost at 31 March 2009 - Restated	1,458,321	-	454,449	1,912,770
Cost at 28 February 2007	204,295	86,186	60,090	350,571
Additions during the period	676,257		25,000	701,257
Disposals during the period	(282)	(55,000)		(55,282)
Cost at 29 February 2008 - Restated	880,270	31,186	85,090	996,546

See note 2 for an analysis of deferred expenditure by project and note 26 in respect of the Marange licence, the carrying value of which is \$1,144,207 (2009 \$699,047) in the Group and \$374,836 (2009 \$250,193) in respect of the Company

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

12 Property, plant and equipment Group	Plant and machinery	Fixtures, fittings and equipment	Computer assets	Motor vehicles	Buildings	Total
	\$	\$	\$	\$	\$	\$
Cost at 31 March 2009	596,376	79,498	110,300	626,120	-	1,412,294
Additions during the year	464,975	19,046	49,683	181,952	44,536	760,192
Disposals during the year	-	-	-	(143,852)	-	(143,852)
Cost at 31 March 2010	1,061,351	98,544	159,983	664,220	44,536	2,028,634
Depreciation at 31 March 2009	253,174	38,316	66,645	244,323	-	602,458
Charge for the year	184,907	21,357	24,098	151,382	-	381,744
Disposals during the year	-	-	-	(70,513)	-	(70,513)
Depreciation at 31 March 2010	438,081	59,673	90,743	325,192	-	913,689
Net book amount at 31 March 2010	623,270	38,871	69,240	339,028	44,536	1,114,945
Cost at 29 February 2008	462,920	61,735	78,601	490,612	-	1,093,868
Additions during the period	181,270	17,763	31,699	211,546	-	442,278
Disposals during the period	(47,814)	-	-	(76,038)	-	(123,852)
Cost at 31 March 2009	596,376	79,498	110,300	626,120	-	1,412,294
Depreciation at 29 February 2008	123,662	18,106	42,523	155,677	-	339,968
Charge for the period	143,458	20,210	24,122	130,442	-	318,232
Disposals during the period	(13,946)	-	-	(41,796)	-	(55,742)
Depreciation at 31 March 2009	253,174	38,316	66,645	244,323	-	602,458
Net book amount at 31 March 2009 - Restated	343,202	41,182	43,655	381,797	-	809,836
Cost at 28 February 2007	338,916	34,189	57,210	375,809	-	806,124
Additions during the year	128,004	27,546	21,391	121,090	-	298,031
Disposals during the year	(4,000)	-	-	(6,287)	-	(10,287)
Cost at 29 February 2008	462,920	61,735	78,601	490,612	-	1,093,868
Depreciation at 28 February 2007	39,178	6,986	19,643	88,371	-	154,178
Charge for the year	85,401	11,120	22,880	68,033	-	187,434
Disposals during the year	(917)	-	-	(727)	-	(1,644)
Depreciation at 29 February 2008	123,662	18,106	42,523	155,677	-	339,968
Net book amount at 29 February 2008 - Restated	339,258	43,629	36,078	334,935	-	753,900
Net book amount at 28 February 2007 - Restated	299,738	27,203	37,567	287,438	-	631,947

The depreciation on assets utilised directly for exploration activities is capitalised as deferred exploration costs amounting to \$293,334 (2009 \$221,191). Depreciation in respect of all other assets is charged to administrative expenses in the statement of comprehensive income amounting to \$88,410 (2009 \$97,041).

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

12	Property, plant and equipment	Plant and	Fixtures,	Computer	Motor	Total
	Company	machinery	fixtures and	assets	vehicles	
		\$	\$	\$	\$	\$
	Cost at 31 March 2009	66,933	17,890	63,054	20,500	168,377
	Additions during the year	36,086	705	-	-	36,791
	Disposals during the year	-	-	-	(10,000)	(10,000)
	Cost at 31 March 2010	103,019	18,595	63,054	10,500	195,168
	Depreciation at 31 March 2009	25,213	8,515	45,005	7,121	85,854
	Charge for the year	25,003	4,648	4,959	4,100	38,710
	Disposals during the year	-	-	-	(6,667)	(6,667)
	Depreciation at 31 March 2010	50,216	13,163	49,964	4,554	117,897
	Net book amount at 31 March 2010	52,803	5,432	13,090	5,946	77,271
	Cost at 29 February 2008	23,541	14,816	55,298	23,500	117,155
	Additions during the period	43,392	3,074	7,756	6,000	60,222
	Disposals during the period	-	-	-	(9,000)	(9,000)
	Cost at 31 March 2009	66,933	17,890	63,054	20,500	168,377
	Depreciation at 31 March 2009	12,058	4,102	34,685	7,180	58,025
	Charge for the period	13,155	4,413	10,320	4,441	32,329
	Disposals during the period	-	-	-	(4,500)	(4,500)
	Depreciation at 31 March 2009	25,213	8,515	45,005	7,121	85,854
	Net book amount at 31 March 2009 - Restated	41,720	9,375	18,049	13,379	82,523
	Cost at 28 February 2007	18,495	7,933	50,190	17,500	94,118
	Additions during the year	5,046	6,883	5,108	6,000	23,037
	Disposals during the year	-	-	-	-	-
	Cost at 29 February 2008	23,541	14,816	55,298	23,500	117,155
	Depreciation at 28 February 2007	6,791	2,230	18,403	5,000	32,424
	Charge for the year	5,267	1,872	16,282	2,180	25,601
	Disposals during the year	-	-	-	-	-
	Depreciation at 29 February 2008	12,058	4,102	34,685	7,180	58,025
	Net book amount at 29 February 2008 - Restated	11,483	10,714	20,613	16,320	59,130
	Net book amount at 28 February 2007 - Restated	11,704	5,703	31,787	12,500	61,694

The depreciation on assets utilised directly for exploration activities is capitalised as deferred exploration costs amounting to \$28,604 (2009 \$18,950). Depreciation in respect of all other assets is charged to administrative expenses in the statement of comprehensive income amounting to \$10,106 (2009 \$13,379).

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

13	Available for sale investments (Non current)	2010 Group	2009 Group	2008 Group	2010 Company	2009 Company	2008 Company
		\$	\$	\$	\$	\$	\$
			Restated	Restated		Restated	Restated
	Fair value at the beginning of the year	24,417	49,810	12,976	566	566	774
	Movement in fair value	-	(25,393)	36,834	-	-	(208)
	Fair value at the end of the year	24,417	24,417	49,810	566	566	566

The available for sale investments represents investments in quoted companies. The fair value of available for sale investments is based on the quoted market price of those investments. The face value of the Company's available for sale investments is not materially different to the market value at either the current or previous year end.

14	Investment in subsidiaries	2010 Company	2009 Company	2008 Company
		\$	\$	\$
			Restated	Restated
	Cost at the beginning of the year	1,316	1,316	6
	Additions during the year	217,788	-	1310
	Cost at the end of the year	219,104	1,316	1,316

The principal subsidiaries of African Consolidated Resources plc, all of which are included in these consolidated Annual Financial Statements are as follows:

Company	Country of registration	Class	Proportion held by group 2010	Proportion held by group 2009	Nature of business
** African Consolidated Resources PTC Ltd	BVI		-%	-%	Nominee company
Millwall International Investments Limited	BVI	Ordinary	100%	100%	Mining exploration and development
Mimic Mining UK Limited	United Kingdom	Ordinary	100%	100%	Holding company
African Consolidated Resources (Zambia) Limited	Zambia	Ordinary	100%	100%	Mining exploration and development
ACR Mauritius Limited	Mauritius	Ordinary	100%	100%	Holding company
Moorestown Limited	BVI	Ordinary	100%	100%	Mining exploration and development
Canape Investments (Private) Limited	Zimbabwe	Ordinary	100%	100%	Mining exploration and development
* Breckridge Investments (Private) Limited	Zimbabwe	Ordinary	100%	100%	Mining exploration and development
* Lescaut Investments (Private) Limited	Zimbabwe	Ordinary	100%	100%	Mining exploration and development

* Entire shareholding is held indirectly through a subsidiary company

** Previously 'Touzel Holdings Limited'. The Company has effective control of this entity. The voting rights are equal to the proportion of the shares held.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

15 Advance to Group Companies	2010 Group	2009 Group	2008 Group	2010 Company	2009 Company	2008 Company
	\$	\$ Restated	\$ Restated	\$	\$ Restated	\$ Restated
Advance to Group Companies	-	-	-	17,546,296	12,317,701	12,707,639

Advances to Group companies are repayable on demand, subject to relevant exchange control approvals being obtained. The treatment of this balance as non-current reflects the Company's expectation of the timing of receipt.

16 Inventory

Material and supplies	19,744	21,863	50,603	-	-	-
-----------------------	--------	--------	--------	---	---	---

There is no material difference between the replacement cost of stocks and the amount stated above. The amount of inventory recognized as an expense during the year was \$313,729 (2009 - \$342,918).

17 Receivables

Other receivables	100,356	41,116	35,490	51,734	24,654	9,037
Prepayments	181,921	74,663	26,211	61,201	52,675	14,675
VAT	227,170	5,295	261,661	57,161	5,295	258,186
	509,447	121,074	323,362	170,096	82,624	281,898

All amounts are due for payment within one year. No receivable are past due or impaired.

18 Available for sale investments

(Current)

Fair value at the beginning of the year	5,682	52,625	41,034	-	-	-
Additions during the year	-	-	117,943	-	-	-
Disposals	-	(35,524)	(62,300)	-	-	-
Movement in fair value	10,787	(11,419)	(44,050)	-	-	-
Fair value at the end of the year	16,469	5,682	52,627	-	-	-

Available for sale investments comprise shares in quoted companies. The face value of the Group's available for sale investments was not materially different to the market value at the previous year end.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

19	Trade and other payables	2010 Group \$	2009 Group \$ Restated	2008 Group \$ Restated	2010 Company \$	2009 Company \$ Restated	2008 Company \$ Restated
	Trade payables	355,300	27,023	76,877	64,934	20,986	66,442
	Other payables	20,079	16,854	218,541	218,577	-	182,915
	Other taxes and social security taxes	26,840	16,938	4,148	4,507	5,801	3,951
	Share based payment – EBT	173,790	-	-	173,790	-	-
	Accrued expenses	593,586	194,680	198,051	452,353	135,116	198,051
		1,169,595	255,495	497,617	914,161	161,903	451,359

All amounts fall due for payment within 45 days with the exception of the liability in respect of share based payments which will fall due after 30 July 2010 and 30 July 2011 upon exercise of the share appreciation rights, as set out in Note 22 under *Cash-settled share based payments*

20 Financial instruments – risk management

Significant accounting policies

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 to the financial statements. The Group's financial instruments, comprise available for sale investments (notes 13 and 18), cash and items arising directly from its operations such as other receivables and trade payables.

Financial risk management

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however this will be considered periodically by the Board. No derivatives or hedges were entered into during the year.

The Group and Company is exposed through its operations to the following financial risks:

- Credit risk
- Cash flow interest rate risk
- Liquidity risk
- Foreign currency risk

The policy for each of the above risks is described in more detail below.

The principal financial instruments used by the Group, from which financial instruments risk arises are as follow:

- Receivables
- Cash and cash equivalents
- Trade and other payables (excluding other taxes and social security)
- Available for sale investments

The table below sets out the carrying value of all financial instruments by category and where applicable shows the valuation level used to determine the fair value at each reporting date. The fair value of all financial assets and financial liabilities is not materially different to the book value.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

	2010 Group	2009 Group	2010 Company	2009 Company
	\$	\$ Restated	\$	\$ Restated
<i>Loans and receivables</i>				
Cash and cash equivalents	15,398,926	2,144,390	14,983,099	1,825,716
Receivables	509,447	121,074	170,096	24,654
Advances to Group Companies	-	-	17,546,296	12,317,701
<i>Available for sale financial assets</i>				
Available for sale investments (valuation level 1)	40,886	30,099	566	566
<i>Other liabilities</i>				
Trade and other payables	968,965	238,557	735,864	156,102

Credit risk

Financial assets which potentially subject the Group and the Company to concentrations of credit risk consist principally of cash, short term deposits and other receivables. Cash balances are all held at recognised financial institutions. Other receivables are presented net of allowances for doubtful receivables. Other receivables currently form an insignificant part of the Group's and the Company's business and therefore the credit risk associated with them is also insignificant to the Group and the Company as a whole.

The Company has a credit risk in respect to inter-company loans to subsidiaries. The recoverability of these balances is dependent on the commercial viability of the exploration activities undertaken by the respective subsidiary companies. The credit risk of these loans is managed as the directors constantly monitor and assess the viability and quality of the respective subsidiary's investments in intangible mining assets.

Inter-company loan amounts between the holding company and its Zimbabwean subsidiary Canape Investments, are subject to credit risk in so far as the Zimbabwe's exchange control regulations, which change from time to time, prevent timely settlement.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk by category of financial instrument is shown in the table below.

	2010 Carrying value	2010 Maximum exposure	2009 Carrying value	2009 Maximum exposure
	\$	\$	\$	\$
<i>Loans and receivables</i>				
			Restated	Restated
Cash and cash equivalents	15,398,926	15,398,926	2,144,390	2,144,390
Receivables	509,447	509,447	121,074	121,074

The Company's maximum exposure to credit risk by class of financial instrument is shown in the table below.

<i>Loans and receivables</i>				
Cash and cash equivalents	14,983,099	14,983,099	1,825,716	1,825,716
Receivables	170,096	170,096	82,624	82,624
Advances to Group Companies	17,546,296	17,546,296	12,317,701	12,317,701

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Cash flow interest rate risk

The Group has adopted a non speculative policy on managing interest rate risk. Only approved financial institutions with sound capital bases are used to borrow funds and to invest surplus funds in. The Group and the Company had no borrowing facilities at either the current year end or previous period end.

The Group and the Company seeks to obtain a favourable interest rate on its cash balances through the use of bank deposits. At the year end the Group had a cash balance of \$15,398,926 (2009 \$2,144,390) which was made up as follows:

	2010 Group	2009 Group
	\$	\$ Restated
British pounds	4,308,974	1,098,537
United States dollars	11,089,952	1,040,730
Zimbabwean dollars	-	-
Zambian Kwacha	-	5,123
	15,398,926	2,144,390

Included within the above are amounts of £1,505,112 (\$2,267,759) and US\$5,005,218 (2009 £101,553 (\$144,453) and US\$972,777) held within fixed and floating rate deposit accounts. Interest rates are 1% to 2% based on bank interest rates.

The Group received interest for the year on bank deposits of \$22,240 (2009 \$188,294).

The effect of a 10% reduction in interest rates during the year would, all other variables held constant have resulted in reduced interest income of \$2,240 (2009 \$18,829). Conversely the effect of a 10% increase in interest rates during the year would, on the same basis, have increased interest income by \$2,240 (2009 \$18,829).

At the year end, the Company had a cash balance of \$14,983,099 (2009 \$1,825,716) which was made up as follows:

	2010 Company	2009 Company
	\$	\$ Restated
Pounds Sterling	4,308,974	1,098,536
United States dollars	10,674,125	727,180
	14,983,099	1,825,716

The Group and the Company has no interest bearing debts at either the current year end or previous period end.

Liquidity risk

Borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. All assets and liabilities are at fixed and floating interest rate. The Group and the Company seeks to manage its financial risk to ensure that sufficient liquidity is available to meet the foreseeable needs both in the short and long term.

As set out in Note 19 the consolidated trade and other payables balance of \$1,169,595 (2009 \$255,495) is all due for payment within 45 days of the reporting date, except for \$173,790 (2009 \$nil) in respect of the share based payment liability. The Company has sufficient cash resources to settle these outstanding liabilities as they fall due.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Foreign currency risk

Foreign exchange risk is inherent in the Group's and the Company's activities and is accepted as such. The majority of the Group's expenses are denominated in United States Dollars and therefore foreign currency exchange risk arises where any balance are held or costs incurred, in currencies other than the United States Dollars. This foreign exchange risk differs from the risk reported in prior years where the functional and presentational currency of the Group was UK Pounds Sterling.

At 31 March 2010 and 31 March 2009, the currency exposure of the Group was as follows

	UK Sterling \$	US Dollars \$	Other Currencies \$	Total \$
At 31 March 2010				
Cash and cash equivalents	4,308,974	11,089,952	-	15,398,926
Other receivables	112,186	397,261	-	509,447
Trade and other payables	(157,423)	(811,541)	-	(968,965)
Available for sale investments	-	40,886	-	40,886
At 31 March 2009 - Restated				
Cash and cash equivalents	1,098,537	1,040,730	5,123	2,144,390
Other receivables	94,862	20,590	5,622	121,074
Trade and other payables	(136,667)	(118,828)	-	(255,495)
Available for sale investments	-	30,099	-	30,099

The effect of a 10% strengthening of Sterling against the US dollar at the balance sheet date, all other variables held constant, would have resulted in increasing post tax losses by \$596,751 (2009 \$105,673). Conversely the effect of a 10% weakening of Sterling against the US dollar at the balance sheet date, all other variables held constant, would have resulted in decreasing post tax losses by \$596,751 (2009 \$105,673).

At 31 March 2010 and 31 March 2009, the currency exposure of the Company was as follows

	UK Sterling \$	US Dollars \$	Total \$
At 31 March 2010			
Cash and cash equivalents	4,308,974	10,674,125	14,983,099
Other receivables	114,059	56,037	170,096
Advances to Group companies	17,546,296	-	17,546,296
Trade and other payables	(376,001)	(359,863)	(735,864)
Available for sale investments	-	566	566
At 31 March 2009 - Restated			
Cash and cash equivalents	1,098,536	727,180	1,825,716
Other receivables	78,397	4,227	82,624
Advances to Group companies	12,317,701	-	12,317,701
Trade and other payables	(112,399)	(49,504)	(161,903)
Available for sale investments	-	566	566

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Capital

The objective of the directors is to maximise shareholder returns and minimise risks by keeping a reasonable balance between debt and equity. To date the Company and Group has minimised risk by being purely equity financed. The capital employed by the Group and Company is comprised of equity attributable to shareholders.

21 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			
As at 28 February 2007 - Restated	189,994,098	3,442,988	11,619,358
Issued during the year	31,034,482	640,055	8,362,321
As at 29 February 2008 - Restated	221,028,580	4,083,043	19,981,679
Issued during the period	2,974,549	55,215	501,808
As at 31 March 2009 - Restated	224,003,129	4,138,258	20,483,487
Issued during the year	134,099,322	2,141,231	19,809,104
As at 31 March 2010	358,102,451	6,279,489	40,292,591

The number of shares reserved for issue under share options at 31 March 2010 was 39,848,611 (2009 44,765,278). The number of shares held by the EBT at 31 March 2010 was 12,000,000 (2009 nil), see note 22 for additional details about the EBT.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

22 Share based payments

Equity-settled share based payments

The Company operates an unapproved share option plan for directors, senior management and staff consultants. The tables below reconcile the opening and closing number of share options in issue at each reporting date.

Share options Exercise price	Outstanding at	Exercised during	Lapsed during	Granted during	Outstanding at	Final exercise date
	31 March 2009	last 12 months	last 12 months	last 12 months	31 March 2010	
4 5p	2,500,000	-	-	-	2,500,000	Dec 2010
4 5p	1,111,111	-	-	-	1,111,111	June 2010
4 5p	10,000,000	(4,750,000)	-	-	5,250,000	June 2011
7 0p	37,500	-	-	-	37,500	June 2011
12 0p	666,667	-	(666,667)	-	-	June 2009
12 0p	5,500,000	-	-	-	5,500,000	June 2011
12 0p	1,965,000	-	-	-	1,965,000	Dec 2010
14 5p	1,945,000	-	-	-	1,945,000	June 2011
15 0p	5,500,002	-	-	-	5,500,002	June 2011
18 0p	5,499,998	-	-	-	5,499,998	June 2011
14 5p	2,040,000	-	-	-	2,040,000	June 2011
18 0p	8,000,000	-	-	-	8,000,000	June 2011
12 0p	-	-	-	500,000	500,000	June 2013
	44,765,278	(4,750,000)	(666,667)	500,000	39,848,611	
	29 February 2008	13 months	13 months	13 months	31 March 2009	
4 5p	2,500,000	-	-	-	2,500,000	Dec 2010
4 5p	1,111,111	-	-	-	1,111,111	June 2010
4 5p	11,000,000	(1,000,000)	-	-	10,000,000	June 2011
7 0p	1,500,000	-	(1,500,000)	-	-	March 2009
7 0p	37,500	-	-	-	37,500	June 2011
12 0p	666,667	-	-	-	666,667	June 2009
12 0p	5,500,000	-	-	-	5,500,000	June 2011
12 0p	1,965,000	-	-	-	1,965,000	Dec 2010
14 5p	1,945,000	-	-	-	1,945,000	June 2011
15 0p	5,500,002	-	-	-	5,500,002	June 2011
18 0p	5,499,998	-	-	-	5,499,998	June 2011
14 5p	-	-	-	2,040,000	2,040,000	June 2011
18 0p	-	-	-	8,000,000	8,000,000	June 2011
	37,225,278	(1,000,000)	(1,500,000)	10,040,000	44,765,278	

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

	2010 weighted average exercise price (pence)	2010 number	2009 weighted average exercise price (pence)	2009 number
Outstanding at the beginning of the year	12.1	44,765,278	10.3	37,225,278
Granted during the year	12.0	500,000	17.3	10,040,000
Lapsed during the year	12.0	(666,667)	7.0	(1,500,000)
Exercised during the year	4.5	(4,750,000)	4.5	(1,000,000)
Outstanding at the end of the year	13.0	39,848,611	12.1	44,765,278
Exercisable at the end of the year	12.9	39,348,611	12.1	34,725,278

The weighted average remaining lives of the options outstanding at the end of the period is 14.29 months (2009 25.75 months). The weighted average market price of the shares in the Company was 12.1p (2009 22.9p) as at the date that the options were exercised. Of the 39,848,611 (2009 34,725,278) options outstanding at 31 March 2010, 500,000 (2009 10,040,000) are not yet exercisable at 31 March 2009.

Fair value of share options

The fair values of awards granted under the Employee 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 the estimated volatility of those shares. Based on the above assumptions, the fair values of the options granted are estimated to be:

	12p options	14.5p options	18p options	14.5p options	12p options
Grant date	March 2007	Jan 2008	April 2008	July 2008	March 2010
Vesting periods	Dec 2007-Dec 2010	Dec 2008-June 2011	April 2009-June 2011	July 2009-June 2011	March 2011-April 2011/12
Share price at date of grant	7.7p	14.5p	19p	13p	9.6p
Exercise price	12p	14.5p	18p	14.5p	12p
Volatility	50%	50%	41%	42%	60%
Option life	3 years	2.5 years	2.25 years	2 years	1.1 & 2.1 years
Dividend yield	Nil	Nil	Nil	Nil	Nil
Risk free investment rate	4.86%	4.86%	3.8%	5.13%	0.5%
Fair value	2.6c	8.9c	9.8c	5.8c	2.5/3.9c

The fair values were previously disclosed in Pound Sterling (pence per option) and have been translated to United States Dollars (cents per option) using the exchange rates at the date of the option granted. Volatility has been based on the volatility of comparable listed companies in the mining, oil and gas sector and on historical share price information.

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 \$40,883 (2009 \$969,777).

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

Cash-settled share based payments

During the year the directors of the Company set up an Employee Benefit Trust (EBT) in which a number of employees and directors are participants. The EBT holds shares on behalf of each participant until such time as the participant exercises their right to require the EBT to sell the shares. On the sale of the shares the participant receives the appreciation of the value in the shares above the market price on the date that the shares were purchased by the EBT, subject to the first 5% in growth in the share price, on an annual compound basis, being retained by the EBT. The participant pays £0.01 per share to acquire their rights. The shares were purchased by the EBT at a market price of 8.75p per share on 21 August 2009. The table below sets out the rights exercisable in respect of the EBT. There was no EBT in the prior year and therefore no comparative table is shown.

The Company funded (directly and indirectly through another subsidiary) an amount of \$1,734,305 to the EBT in order to enable the purchase of shares in the Company. At the year end, the Company had an outstanding loan to African Consolidated Resources (PTC) Limited (under the effective control of African Consolidated Resources plc and trustee of the EBT) of \$1,516,527 (2009: \$nil) and Millwall International Investments Limited had an outstanding loan to the same entity for \$217,778 (2009: \$nil). As set out in the EBT accounting policy note, the EBT has been included as part of the Company financial statements and consolidated as part of the Group financial statements.

EBT Exercise price	Outstanding at	Exercised during last	Lapsed during last	Granted during last	Outstanding at	Date exercisable from
	31 March 2009	12 months	12 months	12 months	31 March 2010	
8.75p	-	-	-	6,000,000	6,000,000	July 2010
8.75p	-	-	-	6,000,000	6,000,000	July 2011
	-	-	-	12,000,000	12,000,000	

As at 31 March 2010 none of the EBT participation rights were exercisable.

Fair value of EBT participant rights

The fair values of the rights granted to participants under the EBT have been calculated using a Monte Carlo valuation model. Based on the assumptions set out in the table below, as well as the limitation on the growth in share price attributable to the participants (as set out in the table above) the fair-values are estimated to be:

	July 2010 rights	July 2011 rights
Grant date	August 2009	August 2009
Vesting periods	August 2009 - July 2010	August 2009 - July 2011
Share price at date of grant	8.75p	8.75p
Exercise price	1p	1p
Volatility	60%	60%
Option life	0.9 years	1.9 years
Dividend yield	Nil	Nil
Risk free investment rate	0.3744%	0.8948%
Fair value	2.46c	3.77c

The fair values were translated from Pound Sterling (pence per right) to United States Dollars (cents per right) using the exchange rates at the date that the EBT acquired the shares and the EBT agreements were put in place on 21 August 2009, the rate on that date was 1.652. Volatility has been based on the volatility of comparable listed companies in the mining, oil and gas sector and on historical share price information.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

23 Reserves

Details of the nature and purpose of each reserve within owners' equity are provided below

- The share premium account holds the balance of consideration received net of fund raising costs in excess of the par value of the shares
- The share options reserve represents the accumulated balance of share benefit charges recognised in respect of share options granted by the Company, less transfers to retained losses in respect of options exercised or lapsed
- The foreign currency translation reserve comprises amounts arising on the translation of the Group and Company financial statements from Pound Sterling to United States Dollars, as set out in Note 1, prior to the change in functional currency to US\$
- The available for sale reserve holds the gains/(losses) arising on recognising financial assets classified as available for sale at fair value
- The EBT reserve has been recognised in respect of the shares purchased in the Company by the EBT, the reserve serves to offset against the increased in share capital and share premium arising from the Company effectively purchasing its own shares
- The retained earnings reserve represents the cumulative net gains and losses recognised in the Group statement of comprehensive income

24 Related party transactions

Group

There were no related party transactions during the year in the Group other than directors and key management emoluments which are disclosed in note 8 and the following

- ◊ Andrew Cranswick held a 50% (2009 50%) indirect equity stake in the property from which Canape Investments (Private) Limited incurred \$36,000 (2009 \$30,263) rental expense in the current financial year until he disposed of his interest in January 2010
- ◊ Andrew Cranswick and Michael Kellow each hold a 20% equity stake in Aeromags com from which African Consolidated Resources plc incurred \$47,947 (2009 \$59,309) aeromagnetic survey expense in the current financial year In September 2009 Andrew Cranswick disposed of his interest in this company

Company

The Company emoluments to directors and key management are disclosed in note 8 to the financial statements

At the year end, the Company had an outstanding loan to Canape Investments (Private) Limited (a wholly owned subsidiary) of \$10,461,075 (2009 \$6,141,337) During the year, interest of \$287,466 (2009 \$256,823) was accrued on this loan This is included in the balance payable by Canape Investments (Private) Limited at the year end

At the year end, the Company had an outstanding loan to Millwall International Investments Limited (a wholly owned subsidiary) of \$5,343,441 (2009 \$4,885,140) During the year, interest of \$184,729 (2009 \$216,025) was accrued on this loan This is included in the balance payable by Millwall International Investments Limited at the year end

At the year end, the Company had an outstanding loan to Mimic Mining (UK) Limited (a wholly owned subsidiary) of \$516,975 (2009 \$493,483) During the year, interest of \$19,007 (2009 \$22,567) was accrued on this loan This is included in the balance payable by Mimic Mining Limited at the year end

At the year end, the Company had an outstanding loan to African Consolidated Resources (Mauritius) Limited (a wholly owned subsidiary) of \$250,000 (2009 \$178,952) This is included in the balance payable by African Consolidated Resources (Mauritius) Limited at the year end

At the year end, the Company had an outstanding loan to Moorestown Limited (a wholly owned subsidiary) of \$828,297 (2009 \$531,459) During the year, interest of \$25,994 (2009 \$13,405) was accrued on this loan This is included in the balance payable by Moorestown Limited at the year end

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

At the year end, the Company had an outstanding loan to African Consolidated Resources (Zambia) Limited (a wholly owned subsidiary) of \$146,508 (2009 \$87,331)

At the year end, the Company had an outstanding loan to ACR Nominees Limited (a wholly owned subsidiary) of \$4 (2009 \$4)

These receivables totalled \$17,546,296 (2009 \$12,317,701) at the year end

The Company also charged a management fee to Canape Investments (Private) Limited of \$15,067 (2009 \$15,393) during the year

Also see the transactions between the Company and African Consolidated Resources (PTC) Limited (the Trustee of the EBT set up in the year) as set out in Note 22, *Cash-settled share based payments*

25 Contingent liabilities and capital commitments

There is a contingent liability, which in the opinion of the directors is not likely to exceed \$95,900, in respect of the Giant acquisition made in the period to 28 February 2006 relating to resource ounces still in the process of being quantified

26 Litigation

Amongst intangible assets for the Group is included \$1,144,207 (2009 \$699,047) representing costs of title acquisition and of exploration over a diamond deposit near Marange. On 28 September 2006, the Group received notification from the Zimbabwe Minister of Mines that he intended to challenge the Group's legal title with respect to Marange. The Group initiated proceedings in the Zimbabwe High Court in order to confirm its title which resulted in a judgement in the Group's favour on 24 September 2009. The Court ordered that the Group's title to the Marange claims was valid and had been since the claims were pegged, and that all diamonds mined from the claims should be returned to the Group. The Ministry of Mines has lodged an appeal against the High Court judgement to the Supreme Court. No date has yet been fixed for a hearing on the substantive issue on the appeal (the Substantive Appeal) but there has been an interim Order of the Supreme Court on 16 February 2010 that all mining at Marange should cease and that the diamonds ordered to be returned to the Group pursuant to the High Court Order should be surrendered to the Reserve Bank of Zimbabwe pending determination of the Substantive Appeal.

Although the diamonds seized from the Group's offices in January 2007 have, it is understood, been deposited at the Reserve Bank, other diamonds mined since then have not been and, contrary to the Order of the Supreme Court, mining is still continuing at Marange. The Group has filed an application to the High Court for contempt against those now mining at Marange. It has also filed a further application to the High Court to bring all diamonds mined at Marange (not just those mined up to the date of the High Court Order) within the ambit of the Supreme Court Order. If successful this would have the effect that all diamonds mined would have to be surrendered to the Reserve Bank for safe keeping pending the resolution of the Substantive Appeal.

Subsequent to the High Court Order and apart from the Substantive Appeal the Ministry of Mines has commenced other proceedings with a view either to undermine or to terminate the Group's title to the Marange claim (the Other Proceedings) all of which are being vigorously resisted.

Counsel has advised that in his opinion neither the Substantive Appeal by the Ministry of Mines nor the actions by the Ministry of Mines in the Other Proceedings have any merit, and therefore no provision against loss of this asset has been made.

There is no other litigation involving any group company.

African Consolidated Resources plc and its Subsidiaries
2010 Group Annual Report and Financial Statements

27 Post balance sheet event

On 6 August 2010 5,300,000 of ordinary shares were issued to Kipling Stone Investments Limited for a cash sum of \$700,000. The subscription proceeds have been used to acquire property assets from the subscriber.