

African Consolidated Resources plc

Annual Report and Financial Statements

for the year ended 28 February 2007

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AFRICAN CONSOLIDATED RESOURCES PLC

2007 ANNUAL REPORT

for the year ended 28 February 2007

Company information

Directors

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

all of

Nettlestead Place
Nettlestead
Maidstone
Kent, ME18 5HA

Secretary and registered office

Roy Clifford Tucker, FCA
Nettlestead Place
Nettlestead
Maidstone
Kent, ME18 5HA

Website www.acrplc.com

Auditors

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

NOMAD and Corporate Broker

Ambrian Partners Limited
8 Angel Court
London
EC2R 7HP

Bankers

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

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Chief Executive Officer's report

In June, along with our interim accounts, I offered a brief summary of events during the past twelve months and following on from that summary I would like to provide further detail as well as offer a guideline for strategies and plans arising from the various developments

Corporate vision

In July the Board engaged Ambrian Partners as Nominated Adviser and broker. We have a positive history and understanding with members of Ambrian, which is a natural resources focused firm, and believe they are the best placed to assist in our ambitious growth strategy.

Also in July the company completed a fund-raising that saw an issue of 31,034,482 ordinary shares at 14.5p, realising £4.5 million. In essence the issue was the fulfilment of the originally-intended IPO fundraising, which was ultimately limited by an unforeseen and dramatic worsening in market sentiment that extended from May to October last year. The issue was taken up primarily by the parties who expressed strong interest for the stock at IPO, but were constrained by the very same market conditions. All of the subscribers are viewed by the Board as strategic and share a common long-term strategic view with your Directors.

The intended use of funds remains fundamentally the same as outlined in our IPO Admission Document of June 2006. However, should ACR successfully resolve its current dispute on the Marange diamond deposit, it will be important to have sufficient funding on hand to meet an expectation of production in a short space of time. For this reason, your Board intends maintaining a reasonable cash reserve for as long as is prudent, to address such an outcome without the immediate need for additional fund-raising.

ACR's strategy is to acquire and explore mineral deposits in Southern and Central Africa with a long-term view of that region's political and fiscal advancement. The goal is to identify and define economic ore deposits of the minerals of primary interest to the Company. These minerals are gold, platinum/PGEs, nickel and diamonds. This philosophy is not at the total exclusion of other minerals, but our active exploration teams are targeting these four mineral groups as a priority. As mentioned in earlier updates some copper projects are under discussion and we remain hopeful of project approval if the commercial and economic aspects make sense.

The entire exploration process is not a quick one but we have used excellent techniques and latest technology, some of which continue to develop as we adopt new state-of-the-art targeting techniques.

Our initial focus has been on Zimbabwe, in anticipation of a more positive outlook in that country's investment climate. I believe ACR has gained its intended "first mover advantage" and is now the most active exploration company in a country widely recognised for world-class mineral development potential. We plan to capitalise on that advantage in coming years.

Elsewhere in the region legal work has begun to register a subsidiary of ACR in Mozambique and negotiations have started with local investors to participate in that company. Discussions have also commenced with the holders of diamond and gold rights in Mozambique with a view to participation. Digitisation of geological data and tenement holdings is underway.

A similar strategy is being applied in Zambia. I hope to report on these developments further in the near future.

Exploration

ACR has several brown-field properties as already disclosed at IPO and many green-field projects generated by its exploration teams. Some of the latter are the extensions of known ore bodies, whilst others were defined by modern

macro targeting processes. It is pertinent to remind shareholders that a part of our exploration strategy for all minerals is to appraise large areas using satellite images, large scale geophysical surveys and regional geochemical sampling of rivers and soils. From this we generate a number of low-level targets each of which we then test rapidly and so generate next-level targets. Where ground is indicated to be insufficiently fertile for additional spending, it will be relinquished. This is a slow but thorough process that has proven successful in exploration worldwide and which is now beginning to bear fruit for ACR by way of first phase successes.

The bottleneck of such a process has been and continues to be the turnaround time for the analysis of samples. Our primary laboratory for metals has been the Antech Lab in Zimbabwe. This has recently been acquired by Canadian-owned interests and we are hopeful of a significant increase in throughput capacity leading to a consequential improvement in turnaround time.

On the base metal assay front, we have acquired and mastered in-house XRF technology which allows us to process very large sample volumes from our regional geochemical sampling programmes.

Since the granting of Exclusive Prospecting Orders is effectively on hold by the Zimbabwean Ministry of Mines, ACR uses full mining claim title to reserve ground for exploration. While this is more expensive, it offers greater security of title in Zimbabwean law while allowing us to pursue our strategy of low-level processing of substantial areas of ground. Current costs structures permit the pegging of base mineral claims at around \$1 per surface hectare of mineral rights.

We currently contract three well-equipped, professionally run sampling teams twelve months of the year and are looking to increase this capacity during the dry months. We have taken on several new geologists and have recently made offers to more experienced personnel with an initially positive response.

In general, it is imperative for shareholders and prospective investors to appreciate that we have spread the net as wide as possible, that our projects are broad and various, and that this is part of the strategy and the vision for our corporate future.

Gold Projects - resource estimates, methodology and update

While we continue to process and develop our various gold projects we have recently commissioned a resource update from SRK Consulting. This was intended to validate the previous JORC-compliant resource estimates for our lead projects: Pickstone-Peerless mines (incorporating Concession Hill) and the Giant mine on the Gadzema greenstone belt and incorporate the additional information obtained from ACR's 2006 drilling campaign. The new resource estimates were published in our announcement of 7 August, and I would like to make several specific comments in that regard.

When ACR acquired these projects they incorporated previously defined resource ounces which had been certified as complying with JORC requirements. As disclosed in our previous Competent Persons report, included in our AIM admission document, these resource statements were completed in the 1990's, were certified by 1996/97 JORC requirements and were signed off and accepted by SRK at the time of our IPO as being representative of the same reviewed Resources. ACR made the decision to engage SRK largely because it is widely recognised as a reputable firm with a conservative outlook and methodology.

One area of drilling focus, Concession Hill, in the Pickstone-Peerless project has yielded an initial upgrade of 60,000 ounces. However, in consultation with SRK, ACR has made the decision to drop some 31,000 ounces from previously defined, legacy underground data. This arises as drilling has tested much of levels 2 and 3 of the mine workings where the legacy blocks occur, and the positional accuracy of the old data makes it difficult to accurately define which portions of the legacy blocks are still extant. Prudence and caution has been exercised by removing this block of ounces entirely.

On the Giant project, ACR's technical team, in consultation with SRK, have now settled upon a structural interpretation of mineral deposits versus the lithologically controlled interpretation applied in the past to such deposits. This is felt to more accurately model the achievable tonnes and grade.

SRK has also taken a far more conservative attitude to the depth extrapolations of the mineralisation compared to the independent consultants to previous owners in 1996. The decision was based on a statistical interpretation that there was an insufficient density of deeper holes drilled to satisfy the earlier assumption that the Resource consistently and contiguously extended downwards.

Considering both the revision of the mineralisation model and the tighter controls on depth extensions of the Resource, it is not surprising that the Giant project has, for the time being, received a 10% reduction in resource estimate, in spite of lateral extensions defined by recent drilling. At our request, SRK has designed a modest drilling programme to satisfy its density requirements in the deeper sections and I am confident we shall, thereafter, be in a position to reinstate the deeper panels and increase the resource. Negotiations are underway to contract a drilling team.

While this entire, time-consuming exercise has not afforded us the upgrade we anticipated, it is important to note our adoption of extremely stringent and conservative policies/methodologies with respect to resource definition. It is a milestone of sorts to have purged our resources of any uncertainty going forward and I am certain that shareholders and investors will approve of our policy to err on the side of caution. Together with the limited diamond drilling programme planned and an outstanding quantification of tailings at the Giant and One-Step projects (which have been surveyed but await assay results) I envisage an additional review about which I am optimistic.

Gold Projects - further developments

Your Board considers that other gold projects offer additional potential upside. Having uncovered and reviewed historical drilling by Rio Tinto in the One Step project we note significant intercepts at widely spaced intervals. This offers more than sufficient incentive to plan a drilling programme to define the mineralisation more fully. Preliminary discussions have begun with the aim of entering into a joint venture on the northern extensions with the neighbouring claim holders, Rio Zim (formerly the local subsidiary of Rio Tinto). Additional pegging of claims along strike of the intercepts has been carried out in partnership with an indigenous Zimbabwean venture, Geo Associates. ACR will provide further updates on progress in this regard.

The Blue Rock project on the Gadzema greenstone belt has yielded interesting RAB drilling results which will require follow up drilling and may lead to a Resource definition. The proximity of this project to the Giant mine (less than 2 kilometres) would lend itself to combined use of plant and hence lower capital costs, leading potentially to a lower size threshold to be economic than would a more remote deposit. This applies equally to the Giant extension project on which the company has a joint venture agreement with option to purchase, and represents yet another project within the Gadzema greenstone belt. These bodies may contribute to the feasibility of production at Giant by offering greater plant feed.

Less than 20km from the Giant and other Gadzema greenstone belt projects is the Chakari North project in the gold producing greenstone belt with complex, folded banded-iron structures. ACR has pegged a long and wide area of metal claims along this relatively unexplored area. To date, only XRF analyses of indicator base minerals are available as we await a complete fire-assay results table (for gold and silver) from our extensive geochemistry exercise in the region. These indicator minerals have delineated several hotspots along the structures and once assay results are to hand, follow-ups on these will commence with geophysical surveys envisaged.

Gold occurrences now defined by an exhaustive sampling exercise carried out through ACR's regional exploration process along macro geological structures spatially related to a large producing mine in the Zimbabwean Lowveld have provided follow-up targets for geophysics and more intense geochemistry. This "Lowveld Gold" project now returns to our field of focus and we expect to report further progress in due course.

Platinum

The Snakes Head PGE project is currently undergoing an extensive field mapping exercise that is a continuation of the exercise which began last year. The mapping is being planned, exercised and supervised by Dr Martin Prendergast, widely recognised as a leading expert on the Great Dyke of Zimbabwe.

The Great Dyke of Zimbabwe hosts two known PGE-bearing reefs, the Main Sulphide Zone (MSZ) and the Lower Sulphide Zone (LSZ), both of which reside within the highest pyroxenite layer of the Great Dyke (P1). In the Musengezi Chamber of the Dyke (fully encompassed within ACR's Snakes Head tenements) the Board believes that LSZ is better developed and higher grade than elsewhere. In contrast, within the known axial facies of Snakes Head, the MSZ reef is wider but of lower grade than elsewhere in the Great Dyke (1.6g/t compared with 3+g/t PGE). Thus the defined reefs of the PGE bearing reefs remain of strong interest while it is hoped that the continued detailed mapping of the northern areas of ACR claims may yield indications of the existence of the missing marginal facies of the Dyke where the P1 pyroxenite layer is more condensed, containing higher-grade less disseminated PGE sulphides in the mineral rich MSZ and LSZ.

Preliminary discussions have commenced with a third party for analysis of the known MSZ and LSZ occurrences within ACR claims. This group has expressed an interest in entering into a joint venture with ACR whereby it will provide funding for additional exploration, possibly including a drilling programme which, if completed, would aim to define a significant but low-grade JORC certified PGE resource within the known MSZ and LSZ reefs. Discussions in this regard are expected to continue. The same third party has a new, patented technology that may provide a far lower cost profile for concentration and refining of ore from these low-grade reefs. Any such cost-reduction would imply improved project economics. An initial bulk sampling exercise is currently being evaluated to provide some trial ore for analysis.

The detailed mapping by ACR has identified an intact magnetite gabbro cap in the Snakes Head - a remnant feature that is highly unusual on the Great Dyke due to the normal level of erosion. Furthermore, there appear to be sulphide-rich zones in the cap that we are hopeful may be nickel and/or PGE-bearing and hence genetically comparable to the PGE-bearing Skaergaard Intrusion of east Greenland and the Stella Intrusion of South Africa - now being evaluated for prospectivity of PGE mining. These zones will be mapped and sampled during the next phase of field work.

The only known economic deposits of PGEs in Zimbabwe exist within the Great Dyke structure. This is largely due to a dearth of other exploration within the country. It has long been speculated that other areas with appropriate structural signatures could host economic deposits in Zimbabwe. ACR intends to extend the search for PGEs beyond our Dyke targets and has acquired some mineral rights in this regard. This ground acquisition programme will be increased in due course.

Nickel

The metal has recently seen a marked increase in exploration attention as supply shortages continue. Nickel provides an exciting opportunity for investment in Zimbabwe and indeed the region. ACR continues its aggressive sampling and ground acquisition strategy with a view to defining several areas of prospectivity.

An early nickel target was provided by the Perseverance mine and its immediate serpentinite host. Following reinterpretation of geophysical work completed in the 1980's by CIDA on behalf of the Zimbabwean government we came to the conclusion that the mine's ore body resided on one single, 28km long by 5km wide Archaean structure which is hidden in two parts by a younger, Proterozoic cover making it appear to be three distinct bodies. Using Mobile Metal Ion (MMI) geochemical analysis, we have defined a geochem anomaly under the Proterozoic cover that appears identical to the signature shown by the outcropping serpentinite which hosts the mine. This has given us the incentive to sample the entire 28km structure which is now under ACR control. In addition, an electromagnetic survey system (SIROTEM), with a high powered transmitter has been sourced and recently arrived in Harare for imminent deployment to the field. We are hopeful of detecting conductors which would provide targets for drilling and ultimate discovery of massive nickel sulphides similar to those mined at Perseverance. Perseverance mine itself remains host to possible

continuations of its mined ore body of head grade 1.1% Ni + 0.4% Cu. In 1980, such grade was considered uneconomic and precipitated the mine's closure, but that position has changed radically in today's high-price environment. Once sufficient results have been evaluated from the electromagnetic survey, we are hopeful that sufficient drill targets will have been defined in the top 200 - 400 metres to warrant a complete drilling campaign.

As this project progresses, first phase geochemistry sampling is underway at other nickel prospects and I hope to have positive developments to report on that front in the future. In addition, macro structural analysis of gravity, magnetics and geology are providing large area targets for future mineral rights acquisition and we are gearing our sampling capacity to do justice to these areas. ACR has begun discussions with a number of nickel exploration entities with a view to possible joint exploration activities.

Diamonds

Our sample processing laboratory in Harare is nearing completion, with three experienced sorters and an array of binocular microscopes. Elutriation columns are currently being set up and should be operational within the month of August. Sample collection from our diamond targets is ongoing and we now have several months of laboratory work scheduled.

I am of the opinion that Zimbabwe will yield many more diamondiferous kimberlites and ACR intends to be a significant player in this process of discovery.

Our court case within the High Court of Zimbabwe in respect of title to the Marange diamond deposit remains a work-in-progress. Certain technicalities of process which have been raised by a respondent have resulted in the appointed judge requesting a re-submission or, at the very least, a period of allowance for the respondent to complete and file their opposition papers. The result is a delay to the set down of a hearing date. It is now anticipated that the hearing date will only be set for later this year. We will keep the market fully updated on developments pertaining thereto.

ACR has invited the Government of Zimbabwe, the local community of Marange and various indigenous consortia to participate in the development and exploitation of the Marange deposit and this invitation remains open. It is hoped that the affirmation of title in the High Court will provide the catalyst for finalisation of such a venture, ultimately leading to production.

The diamond deposit found in Marange has attracted geological comment for its unusual setting as well as some unusual physical characteristics of the diamonds. The latter has led us to the conclusion that some of the traditional extraction techniques would be inadequate. We have had this opinion confirmed and proven by engineers in the past. Consequently we have commissioned the design and construction of a highly specialised plant for the purpose of production at Marange. As noted in a previous announcement, ACR has reached an understanding in principle on the terms under which this technical partner will participate in the development of a mine. The construction of the plant is well under way and anticipated to be complete by late August. If we are successful in our High Court claim, deployment of plant to site could be completed within two weeks and first phase production could commence two weeks thereafter.

General

It is very important to stress that ACR remains committed to working with the Ministry of Mines and the Zimbabwe Government in general. The exploration work that ACR is investing in now will hopefully provide the seed of growth that the mineral resources of Zimbabwe have long promised.

It is our sincere desire and ambition to assist in the nation's development while simultaneously adding shareholder value. At the same time we have contributed substantially to community development wherever ACR is active in exploration. A new school has been planned and approved in the Pickstone area and construction work has commenced, all funded by ACR. We have collected several container-loads of clothing, sporting and computer equipment for the local schools. We have used our earth-moving contractors to de-silt a dam to assist the Chiyadzwa community in the drought-prone Lowveld. Pedigreed Brahman breeding bulls have been introduced to southern Manicaland to improve genetics of local

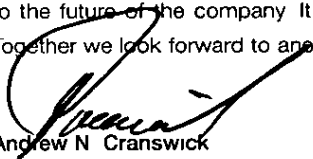
herds. This is all a part of our social conscience outreach programme and is evidence of the on-going community development policy practised by the company.

ACR continues to demonstrate robust strength in its capability to operate comfortably and effectively in a country widely perceived to be logistically difficult, but acknowledged for highly prospective geology. We are growing our geological team and believe we have the operational resources to deal effectively with the many opportunities that we are developing. With such a backdrop the company continues to identify and develop a number of promising deposits. This, I believe, offers the market confidence that ACR is well placed to maximise benefit from its "first mover advantage" in Zimbabwe with the expected promise of reward for patience.

Nevertheless it is common knowledge that the local working environment has indeed been pressured by the current economic situation in Zimbabwe. To date the company and its staff have rapidly adapted to a changing environment and this is a great credit to that staff, our management and our logistics teams. The cost of exploration in Zimbabwe remains low in comparison to most parts of the world but especially compared with many parts of Africa. Supplies of essential inputs have not been significantly interrupted to date. ACR is looking at ways to assist local staff and communities with food wherever possible.

Much media comment has been attracted by recent moves towards an indigenisation policy pertaining to business in general, and not least mining in Zimbabwe. ACR remains an active partner in this process. We fully acknowledge the need to address historical imbalances where applicable but we believe this is not inconsistent with a pro-investment policy in our sector by the Government of Zimbabwe. In this regard, and indeed partly in anticipation of a rational and well-conceived indigenisation policy, ACR has been proactive in its engagement of local businessmen, especially local black businessmen indigenous to Zimbabwe. We are proud of this. I personally have steadfastly remained colour-blinded in this regard and so it has been demographically inevitable that most of my peers and associates are black. We see indigenisation policies as 'a positive' and like all laws of Zimbabwe we intend to achieve full compliance once legislated. We are forthright and open in our approach to this issue and shall remain so. We are exploring ways, within Zimbabwe's stringent exchange control regime, to reward (with equity options) those staff and management vital to operations including a majority who are classified as indigenous Zimbabweans. This may coincidentally assist in compliance with the indigenisation policies.

In conclusion I would like to thank our shareholders for maintaining the patience we requested from the outset. This is a dynamic young company with an ambitious strategy that the Board believes should yield substantial shareholder value in the years to come. I thank my Board which has been balanced and positive throughout. Our technical team is outstanding and continues to grow with the company. I thank them and all the staff that are contributing so productively to the future of the company. It is an absolute pleasure and privilege to work with a self-motivated team of people. Together we look forward to another eventful year.



Andrew N. Cranswick

Chief Executive Officer

15 August 2007

Report of the directors for the year ended 28 February 2007

The directors present their report together with the audited financial statements for the year ended 28 February 2007

Results and dividends

The consolidated income statement is set out on page 16 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.

The directors consider the Group's key performance indicators to be the level of cash resources available for exploration expenditure and the level of mineral reserves identified in its exploration portfolio. Details on the level of cash resources and utilization of those resources are detailed below. Details on mineral reserves are included in the Chief Executive Officer's report on pages 4 to 9.

The review of the business is given in the Chief Executive Officer's report on pages 4 to 9.

Financial instruments

Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 18 of the financial statements.

Charitable and political contributions

During the year the group made charitable contributions of £9,589 (2006 - £Nil).

The group made no political contributions during the year (2006 - £Nil).

Policy and practice on the payment of creditors

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

The number of average days purchases of the company represented by trade creditors at 28 February 2007 was 11 days (2006 - 40 days).

Cash resources

As can be seen from the balance sheet cash resources for the group at 28 February 2007 were a little in excess of £1.5m. During the year the loss (administrative expenses less finance income) after adding back the non-cash share option charge was some £1.3m (£109,000 per month). There was expenditure of some £3m on capital assets, a major part of which consisted of drilling on the Pickstone-Peerless and Giant gold properties.

The Company raised £4.5m (£4.35m after expenses) through a placing in July 2007 and at 31 July 2007 cash balances stood at £5.1m. The net monthly expenditure in the five months to July 2007 was thus approximately £150,000. This figure reflects some reduction achieved in overheads and the fact that recent exploration emphasis has been on relatively low cost geochemical and geophysical work.

On the basis of a monthly overhead cost of £100,000, which may increase with employment of additional senior geologists, the current cash balance of the Group allows significant head room for discretionary expenditure on exploration in the coming year and also, in the event of favourable dispute resolution, on initial diamond production costs

Risks

The principal risks and uncertainties facing the Group are the normal ones inherent in carrying out exploration. In addition the Group face particular country risks due to the fact that almost all of its operations are currently in Zimbabwe where there is political and economic instability. These country risks are further addressed in Note 1 to the Financial Statements

Directors

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

	Date of Appointment	Date of Resignation
Stuart Bottomley	27 05 05	-
Andrew Cranswick	12 04 05	-
Ian Fisher	12 04 05	-
Michael Kellow	22 03 06	-
Roy Tucker	05 04 05	-
Peter Vanderspuy	12 12 06	02 03 07

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 28 February 2006 of 1p each	Share Options held at 28 February 2006	Ordinary Shares held at 28 February 2007 of 1p each	Share Options held at 28 February 2007
Stuart Bottomley	890,080	2,000,000	1,376,480	3,650,000
Andrew Cranswick	5,400,000	2,000,000	5,400,000	7,115,000
Ian Fisher	4,900,000	2,000,000	4,900,000	4,695,000
Michael Kellow	-	2,500,000	-	4,150,000
Roy Tucker	1,122,223	2,000,000	1,122,223	4,695,000
Peter Vanderspuy	-	-	-	-

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

Auditors

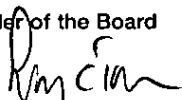
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant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

BDO Stoy Hayward LLP 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 Event

On 25 July 2007, the Company completed a successful equity fund raising. The placement raised £4.5 million before placement expenses, resulting in the issue of 31,034,482 new ordinary shares in the Company. The funds are intended to be used for on-going exploration.

By order of the Board



Roy Tucker

Secretary

15 August 2007

Statement of directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the group and the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs)

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

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

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

Report of the Independent Auditors

To the shareholders of African Consolidated Resources plc

We have audited the group and parent company financial statements (the "financial statements") of African Consolidated Resources plc for the year ended 28 February 2007 which comprise the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of change in shareholders' equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

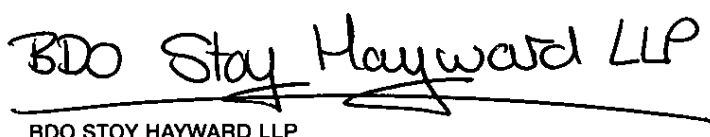
Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 28 February 2007 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 28 February 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Emphasis of Matter - political and economic instability in Zimbabwe

In forming our opinion, which is not qualified, we have considered the directors' assessment (see basis of preparation in note 1) of the political and economic instability in Zimbabwe and the impact on the Group and Company. Current political unrest and variable foreign exchange control policies and practices give rise to a significant 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 financial statements do not include the adjustments that would result if the current political and economic position in Zimbabwe changed for the worse and the Group was unable to realise the aforementioned assets.



BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

London

15 August 2007

Consolidated income statement for the year ended 28 February 2007

		For the year ended 28 February 2007	Period from 5 April 2005 to 28 February 2006
	Notes	Group £	Group £
Revenue		-	-
Administrative expenses		(1,809,334)	(401,961)
Operating loss	3	(1,809,334)	(401,961)
Finance income		102,077	61,242
Loss on ordinary activities before and after taxation		(1,707,257)	(340,719)
Loss attributable to the equity holders of the parent company		(1,707,257)	(340,719)
Loss per share - basic and diluted	8	(0.96) pence	(0.35) pence

The accompanying accounting policies and notes on pages 20-38 form an integral part of these financial statements

Group and company statements of changes in equity

for the year ended 28 February 2007

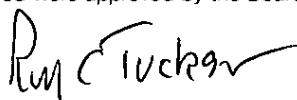
	Share capital account	Share premium account	Share option reserve	Available for sale reserve	Retained earnings/ (losses)	Total
Group	£	£	£	£	£	£
At 5 April 2005	-	-	-	-	-	-
Issue of shares	1,456,270	2,442,790	-	-	-	3,899,060
Share options	-	-	53,000	-	-	53,000
Loss for the period	-	-	-	-	(340,719)	(340,719)
At 28 February 2006	1,456,270	2,442,790	53,000	-	(340,719)	3,611,341
Issue of shares	443,671	3,991,863	-	-	-	4,435,534
Share options	-	-	434,194	-	-	434,194
Available for sale investments - valuation losses	-	-	-	(10,866)	-	(10,866)
Loss for the year	-	-	-	-	(1,707,257)	(1,707,257)
At 28 February 2007	1,899,941	6,434,653	487,194	(10,866)	(2,047,976)	6,762,946
Company						
At 5 April 2005	-	-	-	-	-	-
Issue of shares	1,456,270	2,442,790	-	-	-	3,899,060
Share options	-	-	53,000	-	-	53,000
Loss for the period	-	-	-	-	(329,449)	(329,449)
At 28 February 2006	1,456,270	2,442,790	53,000	-	(329,449)	3,622,611
Issue of shares	443,671	3,991,863	-	-	-	4,435,534
Share options	-	-	434,194	-	-	434,194
Loss for the year	-	-	-	-	(1,552,294)	(1,552,294)
At 28 February 2007	1,899,941	6,434,653	487,194	-	(1,881,743)	6,940,045

The accompanying accounting policies and notes on pages 20-38 form an integral part of these financial statements

Group and company balance sheets as at 28 February 2007

	Note	28 February 2007 Group £	28 February 2006 Group £	28 February 2007 Company £	28 February 2006 Company £
ASSETS					
Non-current assets					
Intangible assets	10	4,962,150	2,329,211	469,100	528,613
Property, plant and equipment	11	372,749	142,376	37,219	39,782
Financial assets	12	6,606	17,472	394	394
Investment in subsidiaries	13	–	–	3	2
		5,341,505	2,489,059	506,716	568,791
Current assets					
Inventory	14	32,608	50,775	–	50,775
Receivables	15	84,632	53,985	5,097,283	1,990,447
Other financial assets	16	20,891	25,801	–	–
Cash and cash equivalents	18	1,514,548	1,975,166	1,503,232	1,972,366
Total current assets		1,652,679	2,105,727	6,600,515	4,013,588
Total Assets		6,994,184	4,594,786	7,107,231	4,582,379
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the company					
Called-up share capital	19	1,899,941	1,456,270	1,899,941	1,456,270
Share premium account	19	6,434,653	2,442,790	6,434,653	2,442,790
Retained earnings	21	(2,047,976)	(340,719)	(1,881,743)	(329,449)
Available for sale reserve	21	(10,866)	–	–	–
Share option reserve	21	487,194	53,000	487,194	53,000
Total equity		6,762,946	3,611,341	6,940,045	3,622,611
Current liabilities					
Trade and other payables	17	231,238	983,445	167,186	959,768
Total current liabilities		231,238	983,445	167,186	959,768
Total Equity and Liabilities		6,994,184	4,594,786	7,107,231	4,582,379

The accounts on pages 16 to 38 were approved by the Board of Directors on 15 August 2007 and signed on its behalf by Roy C Tucker, Director



The accompanying accounting policies and notes on pages 20 to 38 form an integral part of these financial statements

Group and company cash flow statements

for the year ended 28 February 2007

	For the year ended 28 February 2007 Group £	For the period from 5 April 2005 to 28 February 2006 Group £	For the year ended 28 February 2007 Company £	For the period from 5 April 2005 to 28 February 2006 Company £
CASH FLOW FROM OPERATING ACTIVITIES				
Loss on ordinary activities	(1,707,257)	(340,719)	(1,552,294)	(329,449)
Adjustments for				
Depreciation	59,910	10,243	13,998	3,126
Finance income	(102,077)	(61,242)	(94,306)	(59,456)
Profit on sale of financial assets	(38,607)	-	-	-
Share option charges	409,461	53,000	409,461	53,000
	<u>328,687</u>	<u>2,001</u>	<u>329,153</u>	<u>(3,330)</u>
Changes in working capital				
Increase in receivables	(30,647)	(53,985)	(2,640,169)	(1,990,447)
Decrease/(Increase) in inventories	18,167	(50,775)	50,775	(50,775)
(Decrease)/Increase in payables	(752,207)	983,445	(792,582)	959,768
	<u>(764,687)</u>	<u>878,685</u>	<u>(3,381,976)</u>	<u>(1,081,454)</u>
Cash generated from operations	<u>(2,143,257)</u>	<u>539,967</u>	<u>(4,605,117)</u>	<u>(1,414,233)</u>
Investing activities				
Payments to acquire intangible assets	(2,632,939)	(2,329,211)	(407,155)	(528,613)
Payments to acquire property, plant and equipment	(305,279)	(152,619)	(11,435)	(42,908)
Payments to acquire financial assets	(120,000)	(56,653)	-	(396)
Proceeds on disposal of property, plant and equipment	14,996	-	-	-
Proceeds on disposal of financial assets	163,517	13,380	-	-
Interest received	102,077	61,242	94,306	59,456
	<u>(2,777,628)</u>	<u>(2,463,861)</u>	<u>(324,284)</u>	<u>(512,461)</u>
Financing Activities				
Proceeds from the issue of ordinary shares, net of issue costs	4,460,267	3,899,060	4,460,267	3,899,060
(Decrease)/Increase in cash and cash equivalents	<u>(460,618)</u>	<u>1,975,166</u>	<u>(469,134)</u>	<u>1,972,366</u>
Cash and cash equivalents at beginning of year	<u>1,975,166</u>	<u>-</u>	<u>1,972,366</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>1,514,548</u>	<u>1,975,166</u>	<u>1,503,232</u>	<u>1,972,366</u>

The accompanying notes and accounting policies on pages 20-38 form an integral part of these financial statements

Statement of accounting policies for the year ended 28 February 2007

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 and prior period 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 1985 applicable to companies preparing their accounts under IFRS.

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

The presidential elections scheduled for 2008, together with the soaring inflation, high unemployment and collapse of the value of the Zimbabwean dollar, and the strong opposition to change in the country has attracted global criticism.

The foreign currency account approval process of the Central Reserve Bank does not, in practice, operate in line with the published Central Reserve Bank terms of trade and adversely affects the timing of receipt of foreign currency for the group.

The directors have further considered the quality of the assets held by the company through its investment in its subsidiary undertaking and have concluded that the current political and economic instability are not detrimental to the long term value of the assets to the shareholders of the company.

During the year, the company adopted the following standards:

- IFRS 6 "Exploration for and Evaluation of Mineral Resources" (effective from 1 January 2006)
- IAS 19 (Amendment) "Employee Benefits" (effective from 1 January 2006)
- IAS 21 (Amendment) "Net investment in a Foreign Operation" (effective from 1 January 2006)
- IAS 39 (Amendment) "The Fair Value Option" (effective from 1 January 2006)
- IFRIC 4 "Determining whether an Arrangement contains a Lease" (effective from 1 January 2006)

The adoption of these standards has had no effect on the net assets or the results for the year.

The Company has chosen not to adopt early those standards which will become applicable in subsequent years. These include IFRS 7 Financial Instruments - Disclosures, effective for periods beginning 1 January 2009, IFRS 8 Operating Segments, effective for periods beginning 1 January 2009, and IFRIC's 8 to 14, effective for periods beginning between 1 May 2006 and 1 January 2008. The implementation of these standards is not expected to have a significant impact on the financial statements. IFRS 8, IAS 23 and IFRIC's 12-14 have not yet been endorsed by the European Union.

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.

b) Impairment of intangibles

The group is required to test, 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.

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 20 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.

Business combinations

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

Foreign currency

The functional currency of the Company and all of its subsidiaries, is Pound Sterling, which is the currency of the primary economic environment in which the Company and all of its subsidiaries operate. The Zimbabwean subsidiaries retain ledgers in the functional currency and where transactions are denominated in Zimbabwe Dollars, they are translated at the best rate achievable given all relevant circumstances at the time.

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

Provision for abandonment costs

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

Share-based payments

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

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

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

Tax

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

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

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

Deferred 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 substantially enacted by the balance sheet date and are expected to apply when deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred development and exploration costs

In accordance with the full cost method, all costs associated with mining property development and investment are capitalized on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining property development project is successful, the related expenditures will be amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the company, the related costs will be written off.

Unevaluated mining properties are assessed at each year end and where there are indications of impairment 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.

Proved mining properties

Depletion and amortisation of the full-cost pools is computed using the units-of-production method based on proved reserves as determined annually by management.

Mineral rights

Mineral rights are recorded at cost less amortisation and provision for diminution in value. Amortisation will be over the estimated life of the commercial ore reserves on a unit of production basis.

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

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

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

Plant and machinery -	25% per annum, straight line
Fixtures and fittings -	25% per annum, straight line
Computer equipment -	33% per annum, straight line
Motor vehicles -	20% per annum, straight line

The depreciation on assets utilised directly for exploration activities is capitalised as deferred exploration costs. Depreciation in respect of all other assets is charged to administrative expenses in the income statement.

Financial assets

The group's financial assets consist of cash and cash equivalents, trade and other receivables and other current financial assets. 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. Loans and other receivables are carried at cost less any provision for impairment.

Fair value through profit and loss This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

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, the amount of the loss is removed from equity and recognised in the income statement.

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.

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 interchangeable items.

Cash and cash equivalents

Cash 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 3 months.

Leased assets

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

Pension costs

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

Notes to financial statements for the year ended 28 February 2007

2 Segmental analysis

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

3 Group loss from operations

	For year ended 28 February 2007 Group £	Period from 5 April 2005 to 28 February 2006 Group £
Operating loss is stated after charging/(crediting)		
Auditors' remuneration - audit (Company £29,000) (2006 - £20,000)	34,255	21,990
Auditors' remuneration - services relating to corporate finance transactions (Company £ 32,948) (2006 - £nil)	32,948	-
Depreciation	59,910	10,243
Office lease	12,262	861
Foreign exchange gains	(17,380)	(5,697)
Share issue and IPO related expenses	523,717	-
Employee share option expense	409,461	53,000
Employee pension costs	6,075	-
Wages and salaries	179,026	403
Profit on disposal of financial assets	(38,607)	-
-		

4 Auditors' remuneration

For auditing of accounts of the Company pursuant to legislation	29,000	20,000
For auditing of accounts of subsidiaries of the Company pursuant to legislation	5,255	1,990
For services relating to corporate finance transactions	40,000	-
	<u>74,255</u>	<u>21,990</u>

Of the amounts paid or payable to the auditors for the services relating to corporate finance transactions, £32,948 was charged to the income statement and £7,052 charged to the share premium account.

5 Taxation

	For year ended 28 February 2007 Group £	Period from 5 April 2005 to 28 February 2006 Group £
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	(1,707,257)	(340,719)
Loss before taxation at the standard rate of corporation tax in the UK of 30%	(512,177)	(102,216)
Expenses disallowed for tax (principally depreciation, share issue expenses and share option expenses)	297,926	3,073
Loss carried forward	214,251	99,143
Tax charge for the period	-	-

Factors that may affect future tax charges

At the 28 February 2007, the Company had UK tax losses of approximately £863,000 (2006- £240,000) carried forward which will be utilised against future profits. However these losses are only recoverable against future profits, the timing of which is uncertain and as a result no deferred tax asset is being recognised in these losses.

6 Employees

Staff costs (including directors) consist of	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Wages and Salaries - management	156,125	-	143,125	-
Wages and Salaries - other	22,901	403	-	403
	179,026	403	143,125	403
Consultancy Fees	281,458	185,157	276,663	183,503
Social Security Costs	639	-	639	-
Pension Costs	6,075	-	6,075	-
	467,198	185,560	426,502	183,906

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

	Group 2007 Number	Group 2006 Number	Company 2007 Number	Company 2006 Number
Wages and Salaries - management	6	6	6	5
Wages and Salaries - other	8	-	-	-
	14	6	6	5

7 Directors' remuneration

	2007 £	2006 £
Directors emoluments	143,125	-
Company contributions to pension schemes	6,075	-
Amounts paid to third parties in respect of directors' services	188,488	137,125
	<u>337,688</u>	<u>137,125</u>

The directors' remuneration represents the emoluments paid to key management

Out of the share based payment charge (see note 3) of £409,461 (2006 £53,000), £339,461 (2006 £41,222) relates to directors

Emoluments paid to the highest paid director, including amounts paid to third parties in respect of directors services is £82,500 (2006 - £47,000)

One director (2006 one) accrued benefits under a defined contribution scheme during the year

No directors (2006 nil) exercised share options during the year

8 Loss per share

	For the year ended 28 February 2007 Group	Period from 5 April 2005 to 28 February 2006 Group
Loss per Ordinary Share has been calculated using the weighted average number of Ordinary Shares in issue during the relevant financial period		
The weighted average number of Ordinary Shares in issue for the year is	177,289,260	96,567,209
Losses for the Group for the year are (£)	(1,707,257)	(340,719)
Loss per share basic and diluted	(0.96p)	(0.35p)

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

9 Loss for the financial year

The Company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own income statement in these financial statements. The Group loss for the year includes a loss after taxation of £1,552,294 (2006 - £329,449), which is dealt with in the financial statements of the parent company

10 Intangible assets

Group	Deferred exploration costs £	Mining options £	Licence acquisition costs £	Total £
Cost at 28 February 2006	554,689	14,178	1,760,344	2,329,211
Additions during the year	2,327,906	33,483	271,550	2,632,939
Cost at 28 February 2007	2,882,595	47,661	2,031,894	4,962,150

Company

Cost at 28 February 2006	468,144	14,178	46,291	528,613
Additions during the year	109,122	33,483	264,550	407,155
Disposals during the year	(466,668)	-	-	(466,668)
Cost at 28 February 2007	110,598	47,661	310,841	469,100

Group

Cost at 5 April 2005	-	-	-	-
Additions during the period	554,689	14,178	1,760,344	2,329,211
Cost at 28 February 2006	554,689	14,178	1,760,344	2,329,211

Company

Cost at 5 April 2005	-	-	-	-
Additions during the period	468,144	14,178	46,291	528,613
Cost at 28 February 2006	468,144	14,178	46,291	528,613

11 Property, plant and equipment

Group	Plant and machinery £	Fixtures, fittings & equipment £	Computer assets £	Motor vehicles £	Total £
Cost at 28 February 2006	14,187	10,578	23,122	104,732	152,619
Additions during the year	169,375	8,163	8,359	119,382	305,279
Disposals during the year	-	-	-	(14,996)	(14,996)
Cost at 28 February 2007	183,562	18,741	31,481	209,118	442,902
Depreciation at 28 February 2006	912	363	1,490	7,478	10,243
Charge for the year	13,951	3,485	9,394	33,080	59,910
Depreciation at 28 February 2007	14,863	3,848	10,884	40,558	70,153
Net book amount at 28 February 2007	168,699	14,893	20,597	168,560	372,749

Company	Plant and machinery £	Fixtures, fittings & equipment £	Computer assets £	Motor vehicles £	Total £
Cost at 28 February 2006	11,483	3,953	22,239	5,233	42,908
Additions during the year	-	-	4,335	7,100	11,435
Cost at 28 February 2007	11,483	3,953	26,574	12,333	54,343
Depreciation at 28 February 2006	889	246	1,468	523	3,126
Charge for the year	2,871	988	8,737	1,402	13,998
Depreciation at 28 February 2007	3,760	1,234	10,205	1,925	17,124
Net book amount at 28 February 2007	7,723	2,719	16,369	10,408	37,219

Group

Net book amount at 5 April 2005	-	-	-	-	-
Additions during the period	14,187	10,578	23,122	104,732	152,619
Depreciation during the period	912	363	1,490	7,478	10,243
Net book amount at 28 February 2006	13,275	10,215	21,632	97,254	142,376

Company

Net book amount at 5 April 2005	-	-	-	-	-
Additions during the period	11,483	3,953	22,239	5,233	42,908
Depreciation during the period	889	246	1,468	523	3,126
Net book amount at 28 February 2006	10,594	3,707	20,771	4,710	39,782

12 Financial assets (Non current)

	28 February 2007 Group £	28 February 2006 Group £	28 February 2007 Company £	28 February 2006 Company £
Cost at the beginning of the year	17,472	-	394	-
Additions during the year	-	17,472	-	394
Movement in fair value	(10,866)	-	-	-
Cost at the end of the year	6,606	17,472	394	394

The available for sale investments represents investments in quoted companies

13 Investment in subsidiaries

	28 February 2007 Company £	28 February 2006 Company £
Cost at the beginning of the year	2	-
Additions during the year	1	2
Cost at the end of the year	3	2

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	Proportion of Ordinary shares held by group		Nature of business
		2007	2006	
Abbarre Limited	United Kingdom	100%	100%	Holding company
Millwall International Investments Limited	BVI	100%	-	Mining exploration and development
Mimic Mining UK Limited	United Kingdom	100%	-	Holding company
Canape Investments (Private) Limited	Zimbabwe	100%	100%	Mining exploration and development
*Breckridge Investments (Private) Limited	Zimbabwe	100%	100%	Mining exploration and development
*Lescaut Investments (Private) Limited	Zimbabwe	100%	100%	Mining exploration and development

* Indirectly held

14 Inventory

	28 February 2007 Group £	28 February 2006 Group £	28 February 2007 Company £	28 February 2006 Company £
Material and supplies	32,608	50,775	-	50,775

There is no material difference between the replacement cost of stocks and the amount stated above. Inventories consumed as an expense during the year by the Group were £25,485 (2006 £186). No inventories were consumed as an expense by the Company in either the current or previous year end.

15 Receivables

	28 February 2007 Group £	28 February 2006 Group £	28 February 2007 Company £	28 February 2006 Company £
Advance to Group Companies	-	-	5,022,835	1,936,462
Other receivables	84,632	53,985	74,448	53,985
	<u>84,632</u>	<u>53,985</u>	<u>5,097,283</u>	<u>1,990,447</u>

All amounts fall due for payment within one year

Advances to group companies are repayable on demand, subject to relevant exchange control approvals being obtained

16 Other financial assets

Cost at 28 February 2006	25,801	-	-	-
Additions during the period	120,000	39,181	-	-
Disposals	(124,910)	(13,380)	-	-
Cost at 28 February 2007	<u>20,891</u>	<u>25,801</u>	<u>-</u>	<u>-</u>

Financial assets comprise shares in listed entities. The face value of the financial assets is not materially different to the market value at either the current or previous year end

17 Trade and other payables

Trade payables	59,848	96,110	10,642	96,110
Other payables	119,567	865,560	113,525	856,976
Other taxes and social security taxes	6,610	-	1,988	-
Accrued expenses	45,213	21,775	41,031	6,682
	<u>231,238</u>	<u>983,445</u>	<u>167,186</u>	<u>959,768</u>

All amounts fall due for payment within one year

18 Financial instruments - risk management

The Group's financial instruments, other than its investments and financial assets (refer notes 12 and 16), comprise cash and items arising directly from its operations such as trade receivables and trade payables

Credit risk

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

Interest rate risk management

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 had no borrowing facilities at either the current or previous year end.

Liquidity risk management

Borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. All assets and liabilities are at the floating interest rate. The Group 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.

Foreign exchange risk management

Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of African Consolidated Resources' expenses are denominated in Pounds Sterling.

The Group seeks to obtain a favourable interest rate on its cash balances through the use of bank deposits. The weighted average interest rate of the short term deposits utilised during the year was approximately 5%. At the year end the Group had a cash balance of £1,514,548 comprising of the following balances:

	28 February 2007 Group £	28 February 2006 Group £
British pounds	1,385,720	1,971,161
United States dollars	119,485	-
Zimbabwean dollars	9,343	4,005
	<u>1,514,548</u>	<u>1,975,166</u>

In the director's opinion there is no material difference between the base and fair value of financial assets and liabilities at either the current or the previous year end.

19 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 5 April 2005	-	-	-
Issued during the period	145,626,980	1,456,270	2,442,790
As at 28 February 2006	145,626,980	1,456,270	2,442,790
Issued during the year			
10 April 2006	9,605,214	96,052	576,313
18 April 2006	500,000	5,000	30,000
30 June 2006	33,333,333	333,333	3,329,836
11 August 2006	928,571	9,286	55,714
As at 28 February 2007	189,994,098	1,899,941	6,434,653

20 Share based payments

Share options	Outstanding at 28 February 2006	Granted during year	Exercised during year	Outstanding at 28 February 2007	Final exercise date
Exercise price					
4 5p	2,500,000	-	-	2,500,000	October 2007
4 5p	1,111,111	-	-	1,111,111	June 2010
4 5p	11,000,000	-	-	11,000,000	June 2011
7 0p	1,500,000	-	-	1,500,000	March 2009
7 0p	928,571	-	(928,571)	-	-
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
15 0p	-	5,500,002	-	5,500,002	June 2011
18 0p	-	5,499,998	-	5,499,998	June 2011
	17,077,182	17,166,667	(928,571)	33,315,278	

All share options outstanding at 28 February 2006 were granted in the previous period. No share options were exercised or lapsed in the previous period.

These options have been valued using the Black Scholes method on valuing options from the date of grant.

20 Share based payments (continued)

The company operates an unapproved share option plan for directors and senior management. Details of the valuation basis and the grant and vesting dates are contained below.

Fair value of options - Employees*Inputs to the valuation model*

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.

	4 5p options	12p options	12p options	15p options	15p options	18p options	18p options
Grant date	June 2005 - November 2005	June 2006	June 2006	June 2006	June 2006	June 2006	June 2006
Vesting periods	June 2007 - June 2011	June 2006 - June 2011	December 2007 - June 2011	June 2006 - June 2011	December 2007 - June 2011	June 2006 - June 2011	December 2007 - June 2011
Share price at date of grant	4 5p	12p	12p	12p	12p	12p	12p
Exercise price	4 5p	12p	12p	15p	15p	18p	18p
Volatility	30%	50%	50%	50%	50%	50%	50%
Option life	3 years	2 years	2 5 years	2 years	2 5 years	2 years	2 5 years
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk free investment rate	4 5%	4 5%	4 5%	4 5%	4 5%	4 5%	4 5%

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

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

	4 5p options	12p options	12p options	15p options	15p options	18p options	18p options
Fair value	1 2p	3 7p	4 2p	2 8p	3 2p	2 1p	2 6p

Expense arising from share-based payments

Based on the above fair values and ACR's expectations of employee turnover, the expense arising from equity-settled share options and share awards made to employees was £409,461.

The Company has also granted share options to 2012860 Ontario Limited, pursuant to an agreement with Geoinformatics Exploration Inc and to Williams de Broe plc in respect of geological and financial consultancy services respectively provided to the Company. Details of the valuation basis and the grant and vesting dates are contained below.

Fair value of options - Commercial*Inputs to the valuation model*

The fair values of awards granted under the commercial option agreements 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

	7p options	12p options
Grant date	January 2006 - February 2006	June 2006
Vesting periods	June 2007 - June 2011	June 2006 - June 2009
Share price at date of grant	7 0p	12p
Exercise price	7 0p	12p
Volatility	30%	50%
Option life	3 years	2 years
Dividend yield	Nil	Nil
Risk free investment rate	4 5%	4 5%

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

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

	7p options	12p options
Fair value	1 8p	3 7p

Expense arising from share-based payments

Based on the above fair values and ACR's expectations of commercial realisation, the expense arising from equity-based commercial share options issued was £24,733, which has been debited to share premium

During the year 2012860 Ontario Limited exercised 928,571 ordinary share options in respect of exploration related services provided

21 Capital and Reserves

Group	Share capital account £	Share premium account £	Share option reserve £	Available for sale reserve £	Retained earnings/(losses) £	Total £
At 5 April 2005	-	-	-	-	-	-
Issue of shares	1,456,270	2,442,790	-	-	-	3,899,060
Share options	-	-	53,000	-	-	53,000
Loss for the period	-	-	-	-	(340,719)	(340,719)
At 28 February 2006	1,456,270	2,442,790	53,000	-	(340,719)	3,611,341
Issue of shares	443,671	3,991,863	-	-	-	4,435,534
Share options	-	-	434,194	-	-	434,194
Available for sale investments - valuation losses	-	-	-	(10,866)	-	(10,866)
Loss for the year	-	-	-	-	(1,707,257)	(1,707,257)
At 28 February 2007	1,899,941	6,434,653	487,194	(10,866)	(2,047,976)	6,762,946

Company

At 5 April 2005	-	-	-	-	-	-
Issue of shares	1,456,270	2,442,790	-	-	-	3,899,060
Share options	-	-	53,000	-	-	53,000
Loss for the period	-	-	-	-	(329,449)	(329,449)
At 28 February 2006	1,456,270	2,442,790	53,000	-	(329,449)	3,622,611
Issue of shares	443,671	3,991,863	-	-	-	4,435,534
Share options	-	-	434,194	-	-	434,194
Loss for the year	-	-	-	-	(1,552,294)	(1,552,294)
At 28 February 2007	1,899,941	6,434,653	487,194	-	(1,881,743)	6,940,045

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 retained earnings reserve represents the cumulative net gains and losses recognised in the consolidated income statement

The share options reserve represents the accumulated balance of share benefit charges recognised in respect of share options granted by the company

The available for sale reserve holds the gains/(losses) arising on recognising financial assets classified as available for sale at fair value

22 Acquisition of intangible assets

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

Mimic Mining UK Limited

On 31 January 2007, the Group acquired the entire share capital, including an option to acquire Mimic Mining (Private) Limited for £1, of Mimic Mining UK Limited, for a total consideration of £264,550 broken down as follows -

	Book value £	Fair value adjustments £	Fair value £
Intangible assets	-	264,550	264,550

Mimic Mining (Private) Limited holds only an Exclusive Prospecting Order and associated claims giving rights to platinum exploration in the Snakes Head region of Zimbabwe. As a result this acquisition has been treated as an asset purchase rather than a business combination.

23 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 7.

Company

The Company emoluments to directors and key management are disclosed in note 7 to the financial statements.

At the year end, the Company had an outstanding loan to Canape Investments (Private) Limited (a wholly owned subsidiary) of £2,289,295 (2006 £228,686). During the year, interest of £51,093 (2006 £2,048) 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 £2,733,538 (2006 £Nil). During the year, interest of £7,065 (2006 £Nil) 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 Abbarre Limited (a wholly owned subsidiary) of £2 (2006 £1,707,776).

These debtors totalled £5,022,835 (2006 £1,936,462) at the year end and are included in note 15 to the financial statements.

The Company also charged a management fee to Canape Investments (Private) Limited of £10,000 (2006 £10,000) during the year.

24 Contingent liabilities and capital commitments

There is a contingent liability, which in the opinion of the directors is not likely to exceed £63,650, in respect of the Giant acquisition made in the prior period relating to resource ounces still in the process of being quantified

25 Litigation

Amongst intangible fixed assets for the Group is included £95,307 representing costs of title acquisition and of exploration over a diamond deposit near Marange. During the year the Group received notification from the Zimbabwe Ministry of Mines that it intended to challenge the Group's legal title with respect to Marange. The Group has initiated proceedings in the Zimbabwe High Court in order to confirm this title. Counsel has advised that in his opinion the Group's title is good and therefore no provision against loss of this asset has been made.

There is no other litigation involving any Group company.

26 Post Balance Sheet Event

On 25 July 2007, the Company completed a successful equity fund raising. The placement raised £4.5 million before placement expenses, resulting in the issue of 31,034,482 new ordinary shares in the Company. The funds are intended to be used for on-going exploration.