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18 June 2014

**African Consolidated Resources plc ("AFGR" or "the Company")**

### **Circular to Shareholders and Notice of General Meeting**

African Consolidated Resources plc, the AIM listed resources and development company, announces that a Circular has been sent to shareholders giving notice of a General Meeting of the Company to be held at the offices of Panmure Gordon (UK) Ltd, One New Change, London, EC4M 9AF on Friday 4 July 2014 at 2:30pm. A copy of the Circular will also shortly be available on the Company's website, [www.afcrplc.com](http://www.afcrplc.com).

As announced on 16 June 2014 the conditional agreement with Falcon Gold Zimbabwe Limited ('Falgold') to purchase the Dalny Mine in Zimbabwe ('the Dalny Agreement') only becomes binding on AFGR when conditions precedent are satisfied which include, *inter alia*, completion of due diligence investigations by the Company and successful completion by the Company of a fundraising of not less than US\$12,000,000 in connection with the acquisition.

The Company has now completed its due diligence and confirmed to Falgold its intention to proceed with the purchase of the Dalny Mine. In accordance with the Dalny Agreement, the Company is now required to pay an initial sum of US\$1 million, which is repayable if the other conditions precedent are not satisfied. The Company also announces that the payment date for the balance of purchase price under the Dalny Agreement has been amended from 8 July 2014 to 22 July 2014.

In order to finance the purchase and to bring the Company's Pickstone Peerless Gold Project in Zimbabwe into production on a fast-tracked basis, the Company is currently seeking to secure funds of approximately US\$18,000,000 through a mixture of debt and equity. The purpose of the General Meeting is to pass the necessary resolutions to allow the Directors to allot sufficient shares and to disapply statutory pre-emption rights in order to secure the necessary funding.

For further information visit [www.afcrplc.com](http://www.afcrplc.com) or please contact:

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### **DISCLAIMER**

*This announcement does not constitute a prospectus relating to the Company and has not been approved by the UK Listing Authority, nor does it constitute or form any part of any offer or*

*invitation to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any securities in the Company under any circumstances, and in any jurisdiction, in which such offer or solicitation is unlawful. Accordingly, copies of this announcement are not being and must not be mailed or otherwise distributed or sent in or into or from the United States, Australia, Japan or the Republic of Ireland or any other jurisdiction if to do so would constitute a violation of the relevant laws of, or require registration thereof in, such jurisdiction or to, or for the account or benefit of, any United States, Australian, Japanese or Irish person and any person receiving this announcement (including, without limitation, custodians, nominees and trustees) must not distribute or send it, in whole or in part, in or into or from the United States, Australia, Japan or the Republic of Ireland.*

### **Cautionary statement regarding forward looking information**

*Except for statements of historical fact relating to the Company, certain information contained in this press release constitutes "forward-looking information". Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's current or future property mineral projects; the success of exploration and mining activities; cost and timing of future exploration, production and development; the estimation of mineral resources and reserves and the ability of the Company to achieve its goals in respect of growing its mineral resources; and the realisation of mineral resource and reserve estimates. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: exploration and mining risks, competition from competitors with greater capital; the Company's lack of experience with respect to development-stage mining operations; fluctuations in metal prices; uninsured risks; environmental and other regulatory requirements; exploration, mining and other licences; the Company's future payment obligations; potential disputes with respect to the Company's title to, and the area of, its mining concessions; the Company's dependence on its ability to obtain sufficient financing in the future; the Company's dependence on its relationships with third parties; the Company's joint ventures; the potential of currency fluctuations and political or economic instability in countries in which the Company operates; currency exchange fluctuations; the Company's ability to manage its growth effectively; the trading market for the ordinary shares of the Company; uncertainty with respect to the Company's plans to continue to develop its operations and new projects; the Company's dependence on key personnel; possible conflicts of interest of directors and officers of the Company, and various risks associated with the legal and regulatory framework within which the Company operates.*

*Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.*

## **APPENDIX**

### **Proposed Subscription and acquisition of Dalny Mine**

## and Notice of GM

### 1. Introduction

The Company announced on 16 June 2014 that it has entered into a conditional agreement with Falcon Gold Zimbabwe Limited to purchase the Dalny Mine, which is proximal to both its flagship Pickstone-Peerless Gold Project and its Gadzema Gold Project in Zimbabwe, for a net cost of US\$8.5 million.

The Dalny Agreement only becomes binding on AFCR when conditions precedent are satisfied, which include, *inter alia*, completion of due diligence by the Company and successful completion by AFCR of a fundraising of not less than US\$12 million in connection with the Acquisition. The Company has completed its due diligence investigations on the Dalny Mine and confirmed its intention to proceed with the Acquisition. In accordance with the Dalny Agreement, the Company is now required to pay an initial sum of US\$1 million, which is repayable if the other conditions precedent are not satisfied. The remaining consideration was due under the Dalny Agreement on 8 July 2014 but has now been extended to 22 July 2014.

The Company is currently seeking to secure funding of approximately US\$18 million through a mixture of debt and equity to finance the Acquisition, to bring Pickstone into production on a fast-tracked basis and for general corporate purposes.

It is intended that the equity portion of such fundraising will be by way of a subscription for new Ordinary Shares, subject to, *inter alia*, sufficient take-up by existing and new Shareholders and to Shareholders passing the Resolutions, which are necessary to allow the allotment of the Subscription Shares and to disapply statutory pre-emption rights in respect of such allotment. Without raising the minimum funding requirement of US\$12 million under the Dalny Agreement, the Company will not be able to proceed with the Acquisition. The Company is currently in discussions with prospective Subscribers with a view to their participation in the proposed Subscription but at the date hereof no further information regarding the Subscription, such as the price per Subscription Share to be paid by Subscribers, the number of Subscription Shares to be issued or the proportion of the fundraising target of US\$18 million (referred to below) to be secured by way of such Subscription, is known.

The Company is also currently in discussions with prospective providers of debt finance although at the date hereof no agreements have been concluded. In addition, the Company is continuing discussions with a major African bank to amend and finalise a term sheet in order to accommodate the AFCR Mining Plan so as to allow for the possibility of obtaining bank finance or refinance once regular production of gold from Pickstone has commenced.

The proposed Subscription, if it proceeds, will be conditional, *inter alia*, upon Shareholders passing the Resolutions set out in the Notice convening the GM, which is set out at the end of the Circular.

Under the terms of the Acquisition as amended, the Company is required to pay the outstanding consideration by 22 July 2014. Consequently, the Directors are seeking approval of the Resolutions from Shareholders at the GM to be held on 4 July 2014 in order to permit the Subscription to proceed.

**The purpose of the Circular is to provide Shareholders with information about the background to and reasons for the Transaction, to explain why the Board considers the Transaction to be in the best interests of the Company and its Shareholders as a whole and to explain why the Board recommends that Shareholders vote in favour of the Resolutions to be proposed at the GM.**

## **2. Background to and reasons for the Transaction**

Further details of the Transaction are set out in the previous announcement of the Company dated 16 June 2014.

## **3. Use of proceeds**

As described above, the net proceeds of the fundraising exercise the Company is currently embarking upon are not known but the Company has set itself a fundraising target of approximately US\$18 million.

The use of net proceeds of the fundraising, assuming the target of approximately US\$18 million is achieved, will include: US\$8.5 million, being the net cost of the Acquisition; US\$5.8 million for Pickstone mine site establishment, Dalny Mine refurbishment and pre-production working capital; and US\$3.7 million for corporate overheads, contingencies and other projects.

## **4. Details of the Subscription**

As referred to above, neither the terms of the Subscription nor the debt portion of the prospective fundraising are known to the Company yet. As it is not yet known what amount (if any) the Company will be able to secure by way of debt funding in connection with the Acquisition, it is necessary to ask Shareholders for sufficient authority to allot, free of statutory pre-emption rights, the full amount of the US\$18 million fundraising target in Subscription Shares, if required.

If it successfully proceeds, the Subscription will be conditional upon, *inter alia*:

- (i) the Resolutions being duly passed at the GM; and
- (ii) Admission occurring and having become effective by such long-stop date as is agreed between the Company and Subscribers.

Assuming the Subscription proceeds as intended, application will be made for the Subscription Shares to be admitted to trading on AIM as soon as practicable. The Subscription Shares will, when issued, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on such Ordinary Shares following their unconditional allotment and issue.

In connection with the services that have been and are to be performed by Panmure Gordon, the Company's Nominated Adviser and broker, AFCR has agreed to pay a corporate finance fee and commission payable partly in cash, and, subject to completion of the Subscription, new Ordinary Shares. The Company has also provided an indemnity to Panmure Gordon in connection with certain liabilities it may incur in connection with the Transaction.

## **5. Chairman's participation**

As announced on 30 May 2014, Sapi River Investments Limited, a company of which William Battershill, now Chairman of AFCR, is an associate, agreed pursuant to a loan agreement entered into in March 2014 to lend the Company US\$1.2 million, which amount is currently partially drawn. The loan has an initial term of one year at 15 per cent. per annum interest and is repayable in cash or in newly issued shares of the Company at a price of 1.5p per share (subject to anti-dilution adjustment), at the lender's election. Whilst previously secured against a property of the Company in Harare, following the recent sale of such property for US\$1.5 million less costs, the loan arrangements have been altered such that the security is now taken over Pickstone.

It is also William Battershill's intention to subscribe for a minimum of US\$600,000 in new Ordinary

Shares on the same terms as other Subscribers pursuant to the Subscription.

## **6. General Meeting**

Set out at the end of the Circular is a notice convening the GM to be held at the offices of Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF at 2.30 p.m. on 4 July 2014 at which the Resolutions described below will be proposed.

**As neither the total amount of the Subscription nor the price payable for the Subscription Shares is currently known, the Directors are seeking maximum flexibility in their ability to allot Ordinary Shares pursuant to the Resolutions. The Directors will not allot Ordinary Shares under the authority granted by these Resolutions, if passed, other than for the purposes set out in the Circular to Shareholders or to satisfy pre-existing commitments.**

### ***Authority to allot Ordinary Shares***

An ordinary resolution (resolution 1) is being proposed in order to grant authority in accordance with section 551 of the Companies Act to the Directors to allot equity securities up to an aggregate nominal value of £12,000,000, being 1,200,000,000 Ordinary Shares. The section 551 authority granted herein will expire 4 months from the passing of the resolution or, if earlier, at the conclusion of the next Annual General Meeting.

### ***Disapplication of pre-emption rights***

The provisions of section 561(1) of the Companies Act to the extent that they are not disappplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up wholly in cash.

A special resolution (resolution 2) is therefore being proposed to disapply statutory pre-emption provisions in connection with the allotment of equity securities up to an aggregate nominal value of £12,000,000, (being 1,200,000,000 Ordinary Shares) pursuant to the Subscription. The disapplication will expire 4 months from the passing of the resolution or, if earlier, at the conclusion of the next Annual General Meeting.

## **7. Action to be taken in respect of the GM**

A Form of Proxy for use at the GM accompanies the Circular.

**Whether or not Shareholders intend to be present at the meeting, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it. The Form of Proxy should be returned to Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to arrive not later than 2.30 p.m. on 4 July 2014 or 48 hours before any adjourned meeting. Shareholders who hold their shares in uncertificated form may use the CREST electronic proxy appointment service as described in the notes to the Circular.**

The completion and return of a form of proxy or appointment of a proxy through CREST will not preclude Shareholders from attending the meeting and voting in person should they wish to do so.

## **8. Importance of the vote**

The Company is of the opinion that, in the event that AFCR secures funding of approximately US\$18 million through a mixture of debt and equity, the net proceeds will be sufficient to fast-track Pickstone into production, utilising the existing infrastructure at the Dalny Mine.

Whilst the Company has yet to procure Subscribers or finalise the number of Subscription Shares or price per Subscription Share, the Resolutions must be passed by Shareholders at the GM in order for the Subscription to proceed as envisaged. If the Resolutions are not passed at the GM, and the Company is unable to secure alternative funding (such as debt), then the Acquisition will not proceed which the Directors consider would be severely detrimental to the Company's business and prospects.

In such circumstances, the Company would be required to raise a greater level of additional finance to bring the Pickstone into production as estimated by the Company's pre-feasibility study announced in December 2013 (being upfront capital expenditure of US\$27.3 million).

Furthermore, if the Subscription does not proceed, the Company will require further funding in Q3 2014 in order for AFCR to continue operating as a going concern.

## 9. Recommendation

**The Directors consider the Transaction to be not just in the best interests of the Company and its Shareholders as a whole but essential for the continued operation of the Company in accordance with the Board's current strategy.** Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions, as all of the Directors intend to do in respect of their beneficial holdings amounting, in aggregate, to 25,368,812 Ordinary Shares representing approximately 2.99 per cent. of the Existing Issued Share Capital.

## DEFINITIONS

"Acquisition"	the proposed acquisition of the Dalny Mine pursuant to the Dalny Agreement
"Admission"	admission of the Subscription Shares to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange governing admission to, and the operation of, AIM
"Board" or "the Directors"	the directors of the Company as at the date of this announcement
"Circular"	the circular to Shareholders dated 18 June 2014
"Companies Act" or the "Act"	the Companies Act 2006
"Company" or "AFCR"	African Consolidated Resources plc
"CREST"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear
"CREST Regulations"	the Uncertificated Securities Regulations 2001
"Dalny Agreement"	the conditional agreement between the Company and Falcon Gold Zimbabwe Limited to acquire the Dalny Mine dated 8 May 2014
"Dalny Mine"	the Dalny Mine and associated infrastructure owned by Falcon Gold Zimbabwe Limited which is the subject of the Dalny Agreement

<b>"Existing Issued Share Capital"</b>	the 850,537,664 Ordinary Shares in issue at the date of this announcement
<b>"Form of Proxy"</b>	the form of proxy which accompanies the Circular, for use in respect of the GM
<b>"GM"</b>	the general meeting of the Company convened for 2.30 p.m on 4 July 2014, notice of which is set out at the end of the Circular, and any adjournment of it
<b>"Group"</b>	the Company and its subsidiaries and subsidiary and associated undertakings at the date of this announcement
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"Notice"</b>	the notice convening the GM which is set out at the end of the Circular
<b>"Ordinary Shares"</b>	the ordinary shares of £0.01 each in the Company
<b>"Pickstone"</b>	the Company's flagship Pickstone-Peerless Gold Project located in Zimbabwe
<b>"Resolutions"</b>	the resolutions to be proposed at the GM as set out in the Notice
<b>"Shareholder"</b>	a holder of Ordinary Shares from time to time
<b>"Subscribers"</b>	the prospective subscribers for the Subscription Shares
<b>"Subscription"</b>	the subscription proposed to be entered into by the Company with prospective subscribers for the Subscription Shares
<b>"Subscription Shares"</b>	the new Ordinary Shares proposed to be issued to Subscribers pursuant to the Subscription
<b>"Transaction"</b>	the Acquisition, and the associated prospective fundraising of the Company including by way of the Subscription

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*Source: African Consolidated Resources Plc via Globenewswire*

*HUG#1795588*