A-Cap Resources Limited

ACN 104 028 542

TO: THE STOCK EXCHANGE OF NEWCASTLE LIMITED

DATE: 29th March 2006

LODGEMENT OF PROSPECTUS

The Prospectus for a new capital raising approved earlier by shareholders has been lodged with ASIC.

A copy of the Prospectus is attached.

JOHN WILSON
Company Secretary

A-Cap Resources Limited
REGISTERED OFFICE
Suite 5.10, 737 Burwood Rd, Hawthorn, Australia
Telephone +61 3 9813 3228 Facsimile +61 3 9813 2668

THIS DOCUMENT IS IMPORTANT

A-CAP RESOURCES LIMITED

(ACN 104 028 542)
(the "Company")

PROSPECTUS FOR AN ISSUE OF UP TO 15,000,000 SHARES AT AN ISSUE PRICE OF $0.20 PER SHARE TO RAISE UP TO $3,000,000 WITH THE RIGHT TO ACCEPT OVER SUBSCRIPTIONS FOR A FURTHER 10,000,000 TO RAISE A FURTHER $2,000,000

BROKER TO THE ISSUE

BELL POTTER SECURITIES LIMITED
(ABN 25 006 390 772)
(AFSL 24 34 80)

THE ISSUE IS NOT UNDERWRITTEN

ANY INVESTMENT IN THE COMPANY'S SECURITIES SHOULD BE CONSIDERED SPECULATIVE

A-CAP RESOURCES LIMITED
(ACN 104 028 542)

PROSPECTUS

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CORPORATE DIRECTORY

DIRECTORS

P J Volpe (Executive Chairman)
P Pena
H J Stackpoole
D K Wan

COMPANY SECRETARY
J H Wilson

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Level 5 Pacific Tower
737 Burwood Road
Hawthorn Vic 3122
Telephone: 03 9813 3228
Facsimile: 03 9813 2668

AUDITOR & INDEPENDENT ACCOUNTANT
Webb Callaway & Paton
Chartered Accountants
Cnr Toorak & Tooronga Roads
Hawthorn East VIC 3123

INDEPENDENT GEOLOGIST: BOTSWANA
Anpet Exploration Pty Ltd
PO Box 625
Pennant Hills NSW 1715

INDEPENDENT GEOLOGIST: CHINA
T. G. Summons
22 Falmouth Street
Hawthorn Vic 3122

BROKER TO THE ISSUE
Bell Potter Securities Ltd
Level 28, 80 Collins Street
Melbourne Vic 3000

LEGAL ADVISORS

Botswana
Armstrongs
Attorneys Notaries and Conveyancers
5th Floor, Barclays House
Khama Crescent
Gaborone
Botswana

Australia
Corrs Chambers Westgarth
Lawyers
Waterfront Place
1 Eagle Street
Brisbane Qld 4000

China
Gansu Jincheng Law Firm
49 Xijin West Road
Lanzhou
Gansu
People's Republic of China

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 19,
307 Queen Street
Brisbane Qld 4000
Enquiries: (within Australia) 1300 552 270
(outside Australia) 61 1300 552 270

This Prospectus is dated 28 March 2006.

A copy of this Prospectus was lodged with the Australian Securities and Investments Commission on 28 March 2006. Australian Securities and Investments Commission takes no responsibility for the contents of this Prospectus. No securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date this Prospectus was issued.

The Company is presently listed on Newcastle Stock Exchange Limited and the Issue is made in support of an application to list on Australian Stock Exchange Limited ("ASX"). Application will be made to ASX to list on ASX all of the shares offered for subscription pursuant to the issue and to list all of the Company's existing securities on ASX.

That ASX may admit the Company to its Official List and grant quotation to its securities, including the securities offered for subscription by this Prospectus is not to be taken in any way as an indication of the merits of the Company or those securities.

ASX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of the Prospectus.

Before deciding to invest in the Company, potential Investors should read the entire Prospectus, and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. They should carefully consider these factors in the light of their personal circumstances (including, financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest in any securities the subject of this Prospectus. They should understand that exploration for minerals is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery, they may lose the entire value of their investment.

CHAIRMAN'S LETTER

28 March 2006

Dear Investor,

On behalf of the Directors of A-Cap Resources Limited (the Company) I am pleased to present this Prospectus in support of the Company's proposed listing on Australian Stock Exchange Limited (ASX).

The Company is presently listed on Newcastle Stock Exchange Limited (NSX) with its shares trading under the Code ARD.

Since listing on the NSX in March 2004, A-Cap's main focus has been progressively building its exploration land bank which is now in excess of 8000km.

The Company's projects are in Botswana, China and Australia. The tenement portfolio includes tenements with exploration potential for:

- Gold
- Nickel
- Uranium
- Platinum Group Metals
- Copper
- Other base metals such as Zinc and Lead; and
- Diamonds.

The Company's strategy is to continue to explore and, as appropriate, joint venture these assets to ensure maximum exploration opportunity whilst maintaining its core major assets.

A-Cap has well established joint venture agreements and other arrangements with:

- Gallery Gold Ltd (listed on ASX and the Manager of the Jim's Luck project);
- Republic Gold NL (listed on ASX and the Manager of the Hodgkinson Basin project in Queensland);
- Gansu Qinqi Minerals Company Ltd (the Gansu Government's commercial arm being the Company's joint venturer in Gansu province, China);

being parties with significant mining and exploration experience.

The Company engages the services of Callum Kerr, a geologist, who resides in Botswana and Mr Bruce Edds (metallurgist) who, through Mineral Holdings Botswana (Pty) Ltd has a royalty arrangement with A-Cap. Mr Edds has in excess of 20 years mining and exploration experience and also resides in Botswana.

I am excited by A-Cap's broad prospect base and by the present strong demand for gold and base metals which, the board believes, will benefit A-Cap significantly if it achieves continuing exploration success.

The Company can see potential for future cash flow if it achieves continued success in drilling in Botswana at:

- The Jim's Luck gold prospect;
- The Maibele North Nickel Prospect;
- The Mokobaesi uranium deposit;

as detailed below and, in more particularity, in Sections 4 and 6 in the report by Anpet Exploration Pty Ltd ("the Anpet Report").

Botswana

The Company's tenements in Botswana are the subject of the detailed Anpet Report. Prospecting licences have been granted covering an area of over 8,000 square kms in the well-known Limpopo belt and the Zimbabwe Craton, prospective for gold and base metals (including copper and nickel) and uranium. Briefly:

- The Jim's Luck gold prospect: particularly as our joint venture partner Gallery Gold has its own treatment plant at its Mupane gold mine only 25 km away which would likely be used by the parties to treat material to be processed from any mining operation at Jim's Luck. A total of 49 holes have now been drilled with recent drill holes continuing to intersect high and medium grade gold values. **The currently proposed drilling program seeks to define an indicated resource within the meaning of the JORC Code at Jim's Luck**.

- The Maibele North Nickel Prospect where further drilling is required to prove the continuity of the resource. Again, the Maibele North Nickel Prospect is only 50km away from a nickel smelter owned by BCC. **A re-evaluation of the Magogaphate Shear Zone indicates that the zone is not as deformed and sheared as previously thought and that there is reason to believe that significant large scale nickel-copper deposits may be present in the zone with a thorough re-evaluation of the entire belt being justified.** Reassessment of the prospect has led the Company to conclude that it is an attractive exploration target which has been significantly under explored with exploration to date having concentrated on a small near surface part of what may be a much larger target.

- **The Mokobaesi uranium deposit where near surface mineralisation will be the focus of further exploration to evaluate that deposit has been variously estimated as containing between 1.68 and 1.75 million tonnes of mineralised material as referred to in the Anpet Report and also estimated as containing a further 75 million tonnes of uranium mineralisation in the underlying Karoo sediments**, again as referred to in the Anpet Report. The aim of that additional work will be to attempt to define an economic resource. Other indicated values for uranium group elements within the area of the Company's prospecting licences include pit samples at 0.16% U_30_8 reported within an anomaly east of the Serule Railway Station and up to 0.133% in soil samples near Chadum in extreme north-west Botswana.

- Reassessment of the Dibeki prospect (previously known as Airstrip Copper Prospect). **This prospect contains significant intersections for copper including 3.9%Cu over 2.44 metres and 4.3% Cu over 1.83 metres. Recent trenching has shown the presence of visible oxidised copper mineralisation (malachite) in one trench.** See the Anpet Report in Section Six.

- **The Bobonong PL has been granted for diamonds, with recovery from samples of a 0.25 carat diamond having previously been made from this area**.

China

The Company's tenements in Gansu Province in China are the subject of a report by T. G. Summons included herein. Briefly, through a wholly-owned subsidiary:

- The Ma Yuan North permit has been granted for gold and other minerals in Gansu province in China with known significant gold mineralisation.

- A co-operation contract has been entered into with the Gansu Government's commercial arm, Gansu Qinqi Minerals Company Ltd relating to tenements in the Hei Hua Tan region prospective for gold.

- Application has been made for additional permits believed to be prospective for gold.

Australia

- The effective sale of the Australian tenements in the Hodgkinson Basin in Queensland for shares in Republic Gold Ltd, since sold, with the Company retaining a 4% carried interest.

Proposed Placement

A-Cap has agreed to place a total of 3,333,334 shares at an issue price of $0.15 per share to clients of Bell Potter Securities Limited to raise $500,000 which, on completion of the reconstruction, will effectively be a placement at the Issue Price. That placement has not been made as at the date of this Prospectus. The proposed reconstruction of capital is conditional on the placement to clients of Bell Potter being made.

Reconstruction of Capital

The Company proposes that, as a precondition to the issue of Shares pursuant to the Issue, the capital of the Company be reconstructed on the basis that, for each four shares held by a member be consolidated into 3 shares with the effect that, subject to the Company first placing 3,333,334 ordinary shares to clients of Bell Potter Securities Limited at $0.15 per share, the capital of the Company will be reconstructed from 90,064,268 ordinary shares each credited as fully paid to 67,548,201 ordinary shares.

The general meeting to consider, and if thought fit to approve the consolidation, has been convened by notice of meeting dated 21 March 2006 and will be held on 26 April 2006.

The Issue will close on 5 May 2006.

Applications for shares pursuant to the Issue are conditional upon that consolidation of capital being effected. However as referred to in the summary of the agreement between the Company and Bell Potter Securities Limited set out in clause (f) in Section Eight below, members holding in excess of 50.1% of the issued capital of the Company have indicated their intention to vote in favour of the consolidation. As the consolidation is an ordinary resolution requiring to be passed by a members holding more than 50% of the shares voted on the resolution at the meeting, this means that the resolution will likely be passed at the meeting, satisfying the precondition.

The Issue

The Issue seeks to raise $3,000,000 with the right to accept oversubscriptions to increase the amount raised to $5,000,000 on the basis that the funds raised will be applied by A-Cap to the further exploration and/or development of the above projects as set out in this Prospectus.

The Issue is not underwritten but Bell Potter Securities Ltd has agreed to act as the Sponsoring Broker to the Issue. The issue is not an entitlements issue although existing members are encouraged to apply for shares.

Before you make your investment decision I ask you to read carefully this Prospectus in its entirety and seek financial advice if required.

On behalf of the Directors I invite you to subscribe for shares in the Company and look forward to your participation in its anticipated future success.

Yours faithfully,

Pat Volpe
Chairman

SECTION ONE

IMPORTANT INFORMATION

INDICATIVE KEY DATES

Prospectus lodged with ASIC	28 March 2006
Opening Date	3 April 2006
Date of General Meeting	26 April 2006
Closing Date	5 May 2006
Expected date for dispatch of Transaction Confirmation Statements	12 May 2006
Expected date for the quotation of the Company's securities on ASX	19 May 2006

The Directors expressly reserve the right to vary the Offer dates and to extend the Issue or to close it at an earlier date.

The above dates are indicative only.

ALLOTMENT OF SECURITIES

No securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("ASIC") on 28 March 2006. ASIC takes no responsibility for the contents of this Prospectus.

APPLICATION FOR LISTING

Application will be made for the Listing on Australian Stock Exchange Limited ("ASX") of all securities offered pursuant to this Prospectus.

FORWARD LOOKING STATEMENTS

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed herein.

DATE OF PROSPECTUS

This Prospectus is dated 28 March 2006.

SUITABILITY OF INVESTMENT AND RISK FACTORS

Before deciding to invest in the Company, potential Investors should read the entire Prospectus, and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. They should carefully consider these factors in the light of their personal circumstances (including, financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest in any securities the subject of this Prospectus. They should understand that exploration for minerals is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery, they may lose the entire value of their investment.

INFORMATION

No person is authorized to give any information or to make any representation in connection with the Offer of Shares described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorized by the Company in connection with this Offer.

JURISDICTION

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should

seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

ELECTRONIC PROSPECTUS

This Prospectus will be issued in paper form and as an Electronic Prospectus, which may be viewed online at the Company's website www.a-cap.com.au. The Offer is available to persons receiving an electronic version of this Prospectus in Australia. The Act prohibits any person from passing the Application Form on to another person, unless it is attached to, or accompanied by, a complete and unaltered version of this Prospectus and of any supplementary prospectus which may hereafter be lodged by the Company. During the Offer period any person may obtain a hard copy of this Prospectus by contacting the Company by telephone on (03) 9813 3228 (John Wilson) or by email at a-cap@a-cap.com.au.

PROPERTY OF THE COMPANY

Unless otherwise stated assets and property portrayed in photographs in this Prospectus are not owned by the Company.

SECTION TWO

INVESTMENT OVERVIEW

Important Notice

This Section contains a brief summary of the primary areas of activity in which the Company is involved. It contains generalised statements only. The information set out in this Section is explained more fully in the Prospectus generally. Reading this Section is not a substitute for reading the Prospectus in its entirety.

A failure to read the Prospectus in full may result in your making an investment decision without being aware of all relevant matters: including full project details and the risks to which an investment is subject. Without limiting the above advice to read the Prospectus in full, Applicants should have particular regard to the terms of the issue having regard to the purpose of the Issue and the use of funds raised set out in Section Three and to the comments in relation thereto relating to the priority of expenditure and that actual use of funds may differ from budgeted use of funds based on outcomes from the Company's exploration activities, which may differ from present expectations. Applicants should also have regard to the business and investment risks set out in Section Seven.

Company Operations

The Company's projects are located in Botswana, China and Australia.

In Botswana the Company has been granted approximately 8,000 square kilometres for exploration for various resources. Its main focus is exploration of this ground based on exploring previous discoveries using modern technologies with the aim of establishing resources for nickel, copper, gold, uranium and diamonds. The highlights of the Botswanan prospects are referred to in the Chairman's letter. For detailed information in relation to these projects applicants should read Section Four in detail and read the Anpet Report and the solicitor's report by Armstrongs, both which are contained in Section Six.

Nickel

A review of the Maibele North Prospect carried out over recent months has led to a significantly enhanced assessment of the Prospect and its prospectivity for the discovery of significant additional nickel resources. A reassessment of the Maibele North Prospect has led the Company to the conclusion that the Prospect remains an attractive exploration target with a number of attractive nickel intersections and with only a small part of the potential deposit having been explored in detail.

Uranium

Following a detailed review of past exploration for uranium in Botswana, the Company has been granted prospecting licences over many areas previously reported to the Botswanan government as hosting uranium anomalies or deposits. Of these, PL45/2004 is considered by the Board to be highly prospective for uranium group elements with extensive data available from work previously carried out in the 1970's through the 1980's. The most promising deposit in Botswana known to the Company is the Mokobaesi deposit which lies within PL45/2004. Bamangwato Concessions Limited (BCL) has previously estimated uraniferous mineralisation of 1.75 million tonnes at a grade of 0.069% U_30_8 calculated from data collected from 22 pits to a depth of 3 metres on 300 metre centres. The highest maximum value from any single pit was recorded as being 0.173% U_30_8 (1,730 ppm U_30_8). The deposit was subsequently estimated by Falconbridge Explorations (Botswana) (Pty) Ltd ("FEB") as containing 1.683 million tonnes of uraniferous mineralisation at a grade of 0.0315% U_30_8, at a block cut-off (blocks of 100x100, or 100x200 metres) of 0.02% U_30_8. FEB carried out further extensive testing and Anpet Exploration Pty Ltd's report refers to the underlying fine grained Karoo sediments as containing an estimated volume of 30 million cubic metres of mineralised material over an area of approximately 1,000 x 1,200 metres and 25 metres thickness, or approximately 75 million tonnes of mineralisation, with a grade range of 0.015-0.035% U_30_8. See Section 7.2.1 of the Anpet Report in Section Six.

Other indicated values within the area of the Company's licences for uranium group elements include pit samples of 0.16% U_30_8 reported within an anomaly east of the Serule Railway Station and up to 0.133% U_30_8 in soil samples near Chadum in one of the Company's licences in extreme north-west Botswana. See Sections Four and Six.

Gold

The Company has continued its joint venture with Gallery Gold Limited. Drilling on the Jim's Luck Project has continued to intersect significant gold intersections which include, 5 metres at 4.72 grams in hole JIMC23, 8 metres at 5.4 grams in hole JIMC24, 7 metres at 3.05 grams average grade and a further 6 metres at 3.57 grams average grade in hole JIMC31, 3 metres at 2.54 grams in hole JIMC32, 6 metres at 1.74 grams in hole JIMC34, 5 metres at 3.95 grams in hole JIMC37, 2 metres at 2.13 grams in hole JIMC38 and 3 metres at 1.83 grams in hole JIMC40 . Hole 41 contains 8m at 3.92 grams, Hole 48 contains 19m at 1.96 grams and Hole 49 contains 5m at 4.25 grams. See Table 4 in Section Four and see the Anpet Report in Section Six. **The currently proposed drilling program seeks to define an indicated resource within the meaning of the JORC Code at Jim's Luck**.

Copper

A reassessment of the Airstrip Copper Prospect has commenced, following review of the results of 4 historical wagon drill holes returning grades of 3.9% Cu over 2.44 metres, 4.3% Cu over 1.8 metres 0.64% Cu over 4.27 metres and 0.4% Cu over 9.75metres. Available records do not indicate whether these are true widths or drilled widths. Mineralisation may extend over a strike length of at least 750 metres. The deposit lies some 700 metres south of Maibele North Ultramafic. Recent trenching showed oxidised mineralisation in the one trench showing copper mineralisation.

Diamonds

The Company has recently been granted a prospecting licence over an area believed prospective for diamonds after an assessment by its consulting geologists of an area in the Magogaphate area based on the presence of minerals which are indicator minerals for diamonds (including pyrope garnets) and the discovery of a single diamond weighing 0.25 carats.

In China the Company has focussed on exploration in Gansu province in Northern China. The Company;

- has been granted 1 exploration permit and has lodged applications for 3 additional exploration permits. The permit granted and those applied for are in the Qinling Gold Triangle in Gansu province in China which is viewed by the Company as prospective. See Sections Four & Six.
- has applied for additional permits which are being processed by the regulatory authorities but it is not expected that these permits will be issued until late 2006.

For detailed information in relation to the Company's projects in China applicants should read Section Four in detail and the reports by T.G. Summons and the solicitor's report by Gansu Jincheng Law Firm both of which are contained in Section Six.

In Australia the Company has essentially disposed of its tenements in the Hodgkinson Basin in Queensland retaining a residual 4% carried interest therein with no management or operational input. See Section Four generally and the title report by Corrs Chambers Westgarth in Section Six.

The Issue

- The issue offers a total of 15,000,000 shares for subscription at an issue price of $0.20 per share for the purpose of raising a total of $3,000,000 with the right to retain oversubscriptions for a further 10,000,000 to raise a further $2,000,000 making a total of $5,000,000. See Section Three.

The issue is not underwritten. The Broker to the Issue is Bell Potter Securities Limited.

An investment in the capital of A-Cap should be considered speculative. Before deciding to invest, potential Investors should read the entire Prospectus, including the risk factors that could affect the future operations and activities of the Company. They should carefully consider these factors in the light of their personal circumstances (including, financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest. They should understand that exploration for minerals is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery, they may lose the entire value of their investment.

SECTION THREE

OFFER AND KEY DATES

The Offer

This Prospectus invites subscriptions for up to 15,000,000 Shares at an issue price of $0.20 per Share to raise $3,000,000 with the company reserving the right to retain oversubscriptions for a further 10,000,000 shares to raise a further $2,000,000 making a total of $5,000,000.

The Issue is conditional on:

- ASX agreeing to admit the Company to its Official List.
- Minimum Subscription being achieved.
- The reconstruction of the capital of the Company by the effective consolidation of each 4 shares into 3 shares effectively reducing the number of shares on issue to approximately 67,548,201 shares prior to completion of the Issue.

All Shares issued pursuant to this Prospectus will rank equally in all respects with each other and the shares on issue at the date on which Shares are issued and allotted pursuant to the Issue. Each Share entitles the holder to one vote on a poll at the general meetings of the Company.

The rights attaching to the Shares are summarised in clause 0 in Section Eight.

Before making a decision to invest or subscribe for Shares each Applicant should read this Prospectus in full having particular regard to the risk factors, consider his or her own investment parameters and needs, and as necessary, seek independent professional advice from appropriate advisors.

Subscription Moneys are payable in full on application.

The Directors have the right to accept or reject each application in whole or in part.

Application for Shares

Application for Shares can only be made by completing an Application Form in accordance with the instructions thereon. Applications must be for not less than 10,000 Shares having an aggregate issue price of A$2,000 and thereafter applications for Shares must be in multiples of 1,000 Shares (A$200).

Application Forms must be completed as shown on the Application Form and forwarded with the Subscription Moneys to Computershare Investor Services Pty Ltd at the address set out in the Application Form.

If Applicants have any queries about terms of the Offer or how to apply for Shares you may contact the Company or the Company's Share Registrar as set out below or otherwise you should contact your stockbroker, accountant, lawyer or other financial advisor.

Computershare Investor Services Pty Ltd Level 19, 307 Queen Street, BRISBANE QLD 4000 Enquiries: 1300 552 270 Facsimile: 07 3229 9860		Mr John Wilson, A-Cap Resources Limited Suite 5.10 Level 5 Pacific Tower 737 Burwood Road Hawthorn Vic 3122 Telephone: 03 9813 3228 Facsimile: 03 9813 2668

The Company is not able to advise you on the suitability or otherwise of an investment in the Company, and for such advice you must contact your own independent professional advisers.

Allotment

Subject to ASX granting approval for the Company to be admitted to the Official List, the Directors will proceed to allotment of the Shares as soon as possible after the Closing Date. The Directors reserve the right to reject any Application and /or to allot a lesser number of Shares than applied for. If the number of Shares allotted is less than the number applied for, the surplus Subscription Moneys will be refunded to the Applicant within 14 days of the Allotment Date. Interest will not be paid on any refunded Application Money.

It is the responsibility of Applicants to determine their allocation of Shares prior to trading those shares. Any Applicants who sell Shares before they receive their Transaction Confirmation Statements will do so at their own risk.

A completed and lodged Application Form, together with a cheque for the Application Money, constitutes a binding and irrevocable Application for the number of Shares specified in the Application Form or any lesser number allotted by the Company.

If the Application Form is not completed correctly, or the accompanying payment of the Application Money is for the wrong amount, it may still be treated as a valid Application. The Directors may complete any blanks or spaces left in any Application Form and the Applicant, by lodging the Application, appoints the Directors as its attorneys in this regard and authorises all such amendments. The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However an Applicant will not be treated as having applied for more Shares than can be subscribed for by the amount of the cheque for the Application Money.

Capital Structure

The capital structure of the Company after the completion of the Offer will be as set out below (both on a minimum subscription and full subscription basis):

CAPITAL STRUCTURE ON COMPLETION OF THE ISSUE

	Minimum Subscription	**Full Oversubscription**
Amount to be raised	$3,000,000	$5,000,000
Offer price per Share	$0.20	$0.20
Number of Existing Shares (immediately prior to the allotment of new Shares under the Offer) assuming consolidation	67,548,201	67,548,201
Number of Shares being offered under this Prospectus	15,000,000	25,000,000
Number of Shares to be issued to Cardia Technologies Ltd on debt conversion. See Section Eight below.	2,986,805	2,986,805
Total number of Shares immediately after allotment of new Shares under the Offer	85,535,006	95,535,006
Indicative market capitalisation on quotation of the Company at the Offer Price	**$17,107,001**	**$ 19,107,001**

Opening and Closing Dates

The Issue will open on 3 April 2006 ("the Opening Date") and will close on the Closing Date that is 5.00pm (AEST) on 5 May 2006.

The Directors reserve the right to close the Issue early without prior warning or vary any of the important dates set out in this Prospectus, including by extending the Closing Date.

Purpose of the Issue and Use of Funds Raised

A fundamental aspect of the Company's operations in Botswana has been to accumulate tenements which are prospective for a wide range of minerals with a view to a preliminary assessment of those tenements and, based on the results of that preliminary assessment to adopt one of a number of courses open to the Company.

After initial assessment, the alternatives open to the Company in relation to each tenement are to retain the tenement in full and meet budgeted and required expenditure commitments wholly from its own funds, to farm out individual tenements on the basis that the farminee contributes to or meets the cost of subsequent work

programs to earn an interest or thirdly, to surrender tenements where either no sufficient justification for continued exploration activity exists or where that is not sufficient to merit retention and the Company is unable to find a joint venture partner to carry out such work.

Applied to the Company's present tenement holdings, this philosophy reflects in budgeted expenditure in each of 3 categories: namely where the Company meets all expenditure commitments, where the Company seeks to farm out the tenements so that it will not incur expenditure commitments and where the Company proposes to meet expenditure commitments for an initial period followed by either farmout or surrender after assessment.

Insofar as the Company's interests in China are concerned, the Company has only one granted tenement (Ma Yuan North). It has entered into a co-operation contract in relation to a series of other tenements which have been granted. That arrangement is the "Co-operation Contract" as defined in the report from the Company's solicitors in China, Gansu Jincheng Law Firm, which report appears herein. A number of unresolved issues exist in relation to that Co-operation Contract and the joint venture the subject thereof and the Company proposes to suspend expenditure on operations pursuant to that Co-operation Contract until those issues are resolved in a manner satisfactory to all parties. The issues are referred to in the report from Gansu Jincheng Law Firm and include issues relating to the present ownership of the exploration licences the subject of the Co-operation Contract and the appropriateness of the structure in which the Company proposes to carry out its investment therein. Consequently, no funds are allocated in the budgets set out below for those tenements. Additionally, the Company, through its subsidiary, has applied for 3 other tenements but understands these tenements are not likely to be granted in the short term. Consequently no funds are allocated for expenditure on these tenements.

Against the above background, the primary purpose of the Issue is to fund the Company's ongoing operations with emphasis on implementing the Company's primary strategies which focus on:

- further exploration to determine the viability and future of the Magogaphate tenements in Botswana: with particular reference to the Maibele North Nickel Project and extensions thereto having regard to the revision of the data previously obtained in relation to those prospects from Falconbridge and the Company's further exploration activities. This included the drilling of an additional 3 holes to test continuity of mineralisation and for additional follow-up work which will be dependent on the results of that work (when available) with the aim of establishing a resource within the meaning of the JORC Code. The Company's proposed exploration program is set out in the report from Anpet Exploration Pty Ltd.

- exploring and assessing the potential for uranium group elements in Botswana having regard to the high level of prospectivity for the discovery of uraniferous deposits based on prior exploration work and, in particular within PL45/2004 having regard to the work carried out by BCL and Falconbridge. The Company aims to continue assessment of the Mokobaesi deposit to ascertain the nature and extent of the known mineralisation with a view to proving up the deposit to the stage where it can be joint ventured with an appropriate party. The Company's proposed exploration program is set out in the report from Anpet Exploration Pty Ltd.

- contributing to further drilling and exploration activity in relation to the Jim's Luck Project under the farmin agreement with Gallery Gold Limited ("Gallery") to enable A-Cap to maintain a 20% participating interest in that project: with a view to production subject to the requirements of its joint venture partner.

- carrying out further assessment of the Airstrip Copper project having regard to past drilling results and recent trenching results reported on herein.

- carrying out further assessment of the large Makhantlele gold anomaly, which is associated with other base metal and EM anomalies;

- carrying out additional exploration activities as appropriate on the Company's other Botswanan tenements including follow up of recently discovered nickel, platinum and uranium anomalies.

- paying the costs of the Issue and to fund corporate overheads and provide additional working capital for the Company's activities generally.

Funds will primarily be applied to the exploration and development of the Company's projects which it views as being prospective for near-term nickel and gold production and to the advancement of the uranium prospects and the Chinese gold projects in Gansu province.

Details of the Company's strategy and core projects are set out in summary in Section Four hereof and are reported on in detail in the Independent Geologist's Reports in Section Six.

The Directors are satisfied that with minimum subscription, the Company will have sufficient working capital to meet its stated objectives for a period of 2 years and the Company will be able to meet its statutory minimum expenditure requirements for the tenements.

The following tables show the source and application of funds during that period:

Source and Use of Funds: Full Oversubscription			
Source of Funds			Full Over Subscription Available Funds $
Proceeds of the Issue: Total Funds Available			5,000,000
Proceeds of the proposed placement to be made in March 2006			500,000
TOTAL FUNDS AVAILABLE			**$5,500,000**
Use of Funds: Full Oversubscription	**Total $**	**Budgeted: To 30/06/06 $**	**Estimated: To 30/06/07 $**
Costs of the Issue	415,000	415,000	-
Exploration Expenditure			
PL110/94: Magagaphate (Maibele North/ Sekgopye)[1]	336,343	336,343	-
PL18/2004: Jim's Luck Joint Venture	200,000	200,000	-
PL45/2004: Lethlhakane including Mokobaesi	466,237	129,547	336,690
Other Botswana Tenements			
PL111/94: Mokoswane[2]	-	-	-
PL54/98: Takane[2]	-	-	-
PL14/2003: Majante[2]	-	-	-
PL44/2004: Shashe East	372,487	98,297	274,190
PL46/2004: Sampowane[3]	98,297	98,297	0
PL47/2004: Gobe Shear[3]	98,297	98,297	0
PL48/2004: Shashe West[3]	98,297	98,297	0
PL134/2005: Mea[4]	93,750	31,250	62,500
PL135/2005: Sua[4]	93,750	31,250	62,500
PL136/2005: North Uray[4]	80,000	25,000	55,000
PL137/2005: South Uray[4]	80,000	25,000	55,000
PL138/2005: Bolau[4]	75,000	25,000	50,000
PL130/2005: Bobonong[4]	137,786	97,702	40,084
Ma Yuan North	98,000	49,000	49,000
Hei Hua Tan	-	-	-
Administration and Corporate	960,000	480,000	480,000
Additional working capital[5]	1,746,756	-	-
Total	**5,500,000**	**2,238,280**	**1,464,964**

TABLE 1: SOURCE AND USE OF FUNDS: FULL OVERSUBSCRIPTION

[1] The tenement is subject to renewal on 30 June 2006. Expenditure subsequent to that date will depend on renewal and/or whether the Company is able to procure the grant of a mining licence in substitution for the prospecting licence.

[2] The Company intends to seek to farmout these tenements. Consequently at this stage it has not included any amount in the exploration program for exploration and geological work to be carried out thereon. The expenditure commitment for these 3 tenements under the terms of grant of the tenements is $475,640. If the tenements are unable to be farmed out on acceptable terms, then the Company will meet expenditure commitments in whole or in part or surrender the tenements in whole or in part in accordance with its underlying philosophy to establish a tenement land base in Botswana.

[3] It is intended that the Company will meet budgeted and required expenditure levels during the first year of the term and subject to the results obtained from that expenditure: to either surrender the tenements in whole or in part or to farm them out in whole or in part.

[4] These tenements have recently been granted and the Company plans to meet expenditure commitments in full in relation to both years 1 and 2. The level of expenditure in year 2 will, however, be dependent on results from exploration in year 1.

[5] To the extent that the Company has additional working capital it will be able to apply that working capital to meet required expenditures on any tenements where no present expenditure is budgeted. In particular, this includes expenditure which may be required in relation to the Maibele North tenement (PL110/94) on renewal or under the terms of any mining licence which may be granted in substitution therefore.

Source and Use of Funds: Minimum Subscription of Funds			
Source of Funds			Minimum Subscription Available Funds $
Proceeds of the Issue: Total Funds Available			3,000,000
Proceeds of the placement proposed to be made in March 2006			500,000
TOTAL FUNDS AVAILABLE			**$3,500,000**
Use of Funds: Minimum Subscription	**Total $**	**Budgeted: To 30/06/06 $**	**Estimated: To 30/06/07 $**
Costs of the Issue	338,000	338,000	-
Exploration Expenditure			
PL110/94: Magagaphate (Maibele North/ Sekgopye)[1]	336,343	336,343	-
PL18/2004: Jim's Luck Joint Venture	200,000	200,000	-
PL45/2004:Lethlhakane including Mokobaesi[6]	129,547	129,547	-
Other Botswana Tenements			
PL111/94: Mokoswane[2]	-	-	-
PL54/98: Takane[2]	-	-	-
PL14/2003: Majante[2]	-	-	-
PL44/2004: Shashe East[6]	98,297	98,297	-
PL46/2004: Sampowane[6]	98,297	98,297	-
PL47/2004: Gobe Shear[6]	98,297	98,297	-
PL48/2004: Shashe West[6]	98,297	98,297	-
PL134/2005: Mea	93,750	31,250	62,500
PL135/2005: Sua	93,750	31,250	62,500
PL136/2005: North Uray	80,000	25,000	55,000
PL137/2005: South Uray	80,000	25,000	55,000
PL138/2005: Bolau	75,000	25,000	50,000
PL130/2005: Bobonong	137,786	97,702	40,084
Ma Yuan North	98,000	49,000	49,000
Hei Hua Tan	-	-	-
Administration and Corporate	960,000	480,000	480,000
Additional working capital	484,636	-	-
Total	**3,500,000**	**2,161,280**	**854,084**

TABLE 2: SOURCE AND APPLICATION OF FUNDS: MINIMUM SUBSCRIPTION

On the tenements which are sought to be joint ventured and in respect of which no expenditure is shown on the budgets set out above, the minimum requirements for expenditure pursuant to the terms of the tenements as granted will be sought to be included as a minimum expenditure commitment in relation to any joint venture. Excluding Maibele North (PL110/94), those expenditure commitments can be determined by analysis of the schedule to the report by Armstrongs solicitors as contained herein and as reflected in the Anpet Report as contained herein. In summary, those additional expenditure commitments which will be required to be met by joint venturers to retain the tenements are as set out in the following table:

[6] If minimum subscription only is achieved, the Company will seek to farm out each of these tenements subsequent to meeting expenditure requirements in year 1 reducing the aggregate cost of exploration by approximately $610,000 from the table applicable to application of funds based on full subscription.

Additional Exploration Expenditure to be met by joint venturers	Total $	Required: To 30/06/06 $	Required: To 30/06/07 $
PL45/2004:Lethlhakane including Mokobaesi[7]		-	-
Other Botswana Tenements			
PL111/94: Mokoswane	263,322	263,322	-
PL54/98: Takane	162,318	162,318	-
PL14/2003: Majante	50,000	50,000	-
PL44/2004: Shashe East[6]	274,190	-	274,190
PL46/2004: Sampowane[6]	274,190	-	274,190
PL47/2004: Gobe Shear[6]	274,190	-	274,190
PL48/2004: Shashe West[6]	274,190	-	274,190
Total	**1,572,400**	**475,640**	**1,096,760**

TABLE 3: PROJECTED JOINT VENTURE FUNDING REQUIREMENTS

As can be seen, the Company's anticipated working capital surplus will be sufficient to meet any expenditures required on these tenements if and as necessary pending farm out in year 1. No expenditure commitments are set out for year 2 for each of Mokoswane, Takane or Majante as these tenements will not necessarily be renewed if they are not joint ventured. Application has been made to renew the Majante tenement.

Insofar as Shashe East, Sampowane, Gobe Shear and Shashe West are concerned the Company will meet expenditure commitments in year 1 leaving year 2 to be funded by joint venture.

To the extent that the Company has, at any time, inadequate funds to meet all such expenditure commitments, expenditure will be prioritised based on results and potential.

The Company does not expect that it will meet all expenditure commitments from its own resources and accepts that in the absence of joint venture various tenements will be surrendered based on its philosophy of maximising benefits from the land bank which it has accumulated in Botswana.

Generally, the expenditure commitments and/or budgets referred to above, whether they are to be met by direct expenditure by the Company or by joint venture, are in line with the Company's consultant geologist's preferred budgets

It is expected that the Maibele North tenement PL110/94 will be renewed but no detail as to budgeted or minimum expenditure requirements in relation thereto can be set out until any renewal is granted. Also, exploration on Maibele North will in particular be subject to satisfactory results from exploration activity in the year ended 30 June 2006.

Focus on exploration in the year ended 30 June 2007 will be directed to further activity on projects dependent on prior results. To continue funding on all projects would require additional funds to be raised. Certain tenements may be surrendered or farmed out depending on results and exploration funding requirements.

The total of the Company's expenditure requirements on its Botswanan tenements exceeds $2,638,180 and, absent farm out or further capital raising, these requirements will not be met in full even if subscription in full is achieved.

Consequently, actual expenditure in the year ended 30 June 2006 will not exceed a total of $1,960,780 unless more than greater than minimum subscription is achieved.

Any budgeted or projected application of funds is based upon expectations as to future events which may not occur either at all or in the manner contemplated. Consequently, actual use of funds may differ from budgeted use of funds based on the outcomes from the Company's exploration activities in relation to any project, which may vary from present expectations, and the requirement to obtain various regulatory and other approvals in relation thereto.

[7] If minimum subscription only is achieved, the Company will seek to farm out each of these tenements subsequent to meeting expenditure requirements in year 1 reducing the aggregate cost of exploration by approximately $610,000 from the table applicable to application of funds based on full subscription.

It is difficult to budget exploration costs with certainty. The budget estimates for the period to 30 June 2007 are based upon estimates prepared by the Company and its consultants in relation to exploration plans. Project costs are sensitive to operational risks, as well as weather and environmental downtime.

Budgeted expenditures generally incorporate minimum expenditure requirements pursuant to the terms of the tenements held or to be acquired, insofar as known, but it must be recognised that work programmes and expenditures are subject to change in line with emerging results, capital raising circumstances and opportunities which become available to the Company.

In the event of exploration success, or in the pursuit of new opportunities, the Company, in common with most exploration companies, may require further funds for its programmes. Any such additional funds would be raised in a manner deemed most expedient by the Board at the time, taking into account available working capital, exploration results, budgets, share market conditions and the interest of industry in co-participation in the Company's programmes.

Minimum Subscription

The Minimum Subscription for the Issue under this Prospectus is an amount of $3,000,000.

No shares will be issued under this Prospectus until Minimum Subscription has been achieved. In the event that Minimum Subscription has not been achieved within three months after the date of issue of this Prospectus, the Company will refund all subscription moneys received.

ASX Listing

The Company is presently listed on NSX but will apply to ASX within 7 business days of the date of this Prospectus for admission to the Official List of ASX and for Official Quotation of its securities on ASX.

If the Company has not been admitted to the Official List of ASX within three months of the date of issue of this Prospectus, then the Company will refund all Subscription Moneys in full. Interest will not be paid on Subscription Moneys refunded.

The Directors will not proceed to allotment of Shares unless and until ASX grants permission for the Shares to be listed for Official Quotation. The fact that ASX may admit the Company to its Official List is not to be taken in any way as an indication by ASX of the merits of the Company or the Shares offered by this Prospectus.

ASX takes no responsibility for the contents of this Prospectus, including any experts' reports contained therein.

Subscription Moneys will be held in a separate bank account in trust for the Applicants until allotment occurs.

It is expected that trading of the Shares on the stock market conducted by ASX will commence as soon as practicable after allotment of the Shares and dispatch of Transaction Confirmation Statements.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Underwriting

The issue is not underwritten.

Broker to the Issue

Under the terms of an agreement with Bell Potter Securities Limited (Bell Potter) to act as Broker to the Issue, the Company will pay Bell Potter as Broker to the Issue commission of 5% of the funds raised pursuant to the Issue. A more complete summary of the agreement with Bell Potter is set out in clause 1(f) of Section Eight under the heading 'Agreement with Broker to the Issue'.

Applications outside Australia

This Prospectus does not, and is not intended to constitute an Offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer or issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has not taken any action to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia.

It is the responsibility of non-Australian resident Investors to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals have been obtained. Applicants who are nominees for persons proposing to act as nominees should seek independent advice as to how they should proceed.

CHESS

Trading on ASX is through the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of ASX, operates CHESS.

The Company operates an electronic issuer-sponsored sub-register and electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of shares.

The Company will not issue certificates to Shareholders. Shareholders who are allotted shares under this Prospectus will be provided with a transaction confirmation statement which sets out the number of Shares allotted to the Shareholder. For Shareholders who elect to hold their Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS, (acting on behalf) of the Company will provide shareholders with a holding statement that confirms the number of shares held and any transactions during that month.

The CHESS statement will set out the current number of Shares allotted to each holder under the Prospectus, give details of the Holder Identification Number and give details of the Sponsor. If you are registered on the Issuer Sponsored sub-register, your transaction confirmation statement will be despatched by the Share Registry and will contain the number of Shares allotted under the Prospectus and the Securityholders Reference Number.

A CHESS Statement or Issuer Sponsored holding statement will routinely be sent to holders at the end of any calendar month during which the balance of their holding changes. A shareholder may request a holding statement at any other time, however, a charge may be made by the Share Registry for additional statements.

Restricted Securities

As a condition of admitting the Company to the Official List, ASX may classify certain existing shares as restricted securities. Prior to quotation, it will be necessary for any parties holding shares classified by ASX as restricted securities to enter into restriction agreements with the Company. The effect of the restriction agreements will mean that the restricted securities cannot be dealt with for the period determined by ASX.

The Company was originally formed to acquire all of the mining tenements held by Cardia Techonlogies Limited ("Cardia") and the sale and transfer of those assets to the Company was approved in general meeting by the members of Cardia. The tenements transferred to the Company were the Australian tenements, the subject of this Prospectus, and the bulk of the tenements in Botswana, other than those that have been applied for and granted subsequent to listing on NSX. Those tenements had been held by Cardia for some years prior to sale. The offer of securities in the capital of the Company at the time of sale was made on a pro rata basis to Cardia in accordance with their respective holdings on a record date determined for the purpose. Accordingly it is not expected that the shares then offered to members of Cardia will be subject to escrow: but this is a matter within ASX's discretion.

Electronic Prospectus

This Prospectus may be viewed and downloaded online at the web site www.a-cap.com.au.

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Act to allow distribution of an electronic prospectus on basis of a paper prospectus lodged with ASIC and the issue of Shares in response to electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email to the Company at a-cap@a-cap.com.au and the Company will send to you, free of charge, either a hard copy or a further electronic copy of the Prospectus or both.

The Application Form in a Prospectus may only be distributed attached to a complete and unaltered copy of the prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus or any relevant supplementary prospectus or replacement prospectus or any of these documents were incomplete or altered. In any such case the Subscription Moneys received will be dealt with in accordance with Section 722 of the Act.

While it is extremely unlikely that the electronic copy of the Prospectus will be tampered or altered in any way, the Company cannot give any absolute assurance that it will not be the case and any Applicant with doubt concerning the validity or integrity of an electronic copy of the Prospectus (or any supplementary or replacement prospectus) should immediately request a paper copy of the Prospectus directly from the Company or the Broker to the Issue.

Rights & Liabilities attaching to Shares

The rights and liabilities attaching to Shares are detailed in clause 0 in Section Eight.

Speculative Nature of Offer and Projects and relevant Risk Factors

Applicants should have regard to the speculative nature of the tenements in which the Company has an interest and the risks discussed in Section Seven. Applicants should read this document carefully and in its entirety with emphasis on the risk factors detailed herein before deciding to invest in the Company. Applicants should understand that exploration is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery they may lose the entire value of their investment.

Applicants should consider these matters in light of their personal circumstances (including financial and taxation affairs), their risk profiles and investment parameters and, as necessary, seek professional advice from their accountant, lawyer or other professional adviser before deciding whether to apply for Shares.

Taxation and Tax File Numbers

Applicants should seek their own independent advice in relation to taxation matters generally.

The Company is unable to give advice on any taxation matter as each applicant's position will relate to their own specific circumstances. Applicants should satisfy themselves of the possible taxation consequences of purchases and sales of securities of the Company by consulting with their own professional tax advisers.

It is not necessary for Applicants to quote their tax file number.

Action by Applicants

Attached to and forming part of this Prospectus is an Application Form for use by Applicants in applying for Shares. The Application Form provides detailed instructions as to how applications for Shares should be made. Applications for Shares will only be accepted on these forms.

The Application Form in a Prospectus may only be distributed attached to a complete and unaltered copy of the prospectus. Accordingly the Application Form must not be handed on unless it is attached to a complete and unaltered copy of the Prospectus.

Duly completed Application Forms, together with applicable Subscription Moneys, should be lodged with the Company's Share Registry at the address set out above and in the Application Form on or before the Closing Date.

No Rights Trading

The Issue is not an entitlements issue: accordingly there are no rights which may be tradeable.

Overseas Shareholders

This Prospectus does not constitute an offer in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue this Prospectus.

Nominees applying for options on behalf of overseas residents are responsible for ensuring that an application for Shares does not breach any regulation applicable to any such overseas resident.

Lodgement of Application Forms accompanied by the relevant application moneys will be taken by the Company to constitute a representation from the Applicant that no breaches of any such regulations have occurred. Applicants who are nominees or persons proposing to act as nominees should seek independent advice as to how they should proceed.

Forward Looking Statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.

SECTION FOUR

PRESENT OPERATIONS

OPERATIONS

The Maibele North nickel project, the Jim's Luck project, the Mokobaesi uranium prospect and most of the other Botswanan projects are in northeast Botswana.

The Ma Yuan exploration permit, the Qinqi joint venture tenements and the 3 other applications are all in Gansu province in China.

The Hodgkinson Basin Project is approximately 120km northwest of Cairns in Queensland.

BOTSWANA - “An African success story"

Most Australians have little knowledge of Botswana and likely regard it in the same manner as many African nations are perceived. However Botswana is a viable African country with a democratic government and a strong economy.

Botswana is a small landlocked country in southern Africa situated immediately north of South Africa and south and west of Zimbabwe.

Over 50% of the country is covered by the Kalahari Desert and the population of 1.6 million people lives mostly in the more hospitable east and south-east of the country.

Some 40% of the people live in modern cities, including the capital Gaborone and the second largest city Francistown, while the remainder live a more traditional village based lifestyle. Land use in the areas surrounding the tenements is mainly cattle ranching.

Botswana received its independence from Great Britain in 1966 and since that time a multi-party democratic system has operated successfully. Botswana has enjoyed continuous peace and economic stability since independence and has carefully avoided conflicts that have occurred in neighbouring countries.

Botswana Economy

Two world-class diamond mines were discovered in Botswana in the late 1960’s and this has brought rapid growth to the country. Diamond production, in which the Government has a direct 50% interest, accounts for approximately 75% of the country’s export revenue.

Today, Botswana is said to be the wealthiest country in all of Africa, in terms of GDP per capita, with healthy foreign exchange reserves, negligible Government debt and, generally, a strongly growing economy.

Transparency International Consultants, who publish a worldwide Corruption Perception Index, regard Botswana as the least corrupt country in Africa.

The Government has established an excellent infrastructure of sealed roads, grid power and piped water throughout the country. Education and health are also priorities for Government spending. Altogether, Botswana provides a very favourable environment in which to operate and to plan for a possible mine development.

Foreign Investment

Botswana abolished all foreign exchange controls in 1999 specifically to encourage foreign investment.

Botswana Mining Act

Botswana introduced a new “investor friendly” Mining Act in 1999, based substantially on Australian and Canadian models. The Act provides for adequate security of title and abolished the Government’s previous right to free equity.

New favourable mining tax provisions were also introduced.

A number of listed Australian Companies have taken advantage of the Investment friendly environment in Botswana to establish operations there. These include Gallery Gold Limited (the Company's joint venture partner in the Jim's Luck project), Albidon Ltd and Discovery Nickel Limited.

Gallery Gold Limited has recently opened a 100,000 oz Au/year gold mine in the Tati Schist Belt of North East Botswana.

In addition to the Debswana owned diamond mines at Jwaneng, Orapa and Lethlakane, other major mining operations at Tati Nickel and Selebi Phikwe are owned by LionOre Mining International Limited listed on the Toronto and London Stock Exchanges.

BOTSWANA - PROJECTS

The Botswana Projects are described briefly below and in significant detail in the Anpet Report set out in Section Six below.

A title report by Armstrongs, Attorneys, is set out in that Section. Applicants should read those reports carefully in order that the information extracted and summarised below can be understood in its full context. There have been no changes to the status of the tenements since the date of the report by Armstrongs.

The tenements in Botswana comprise tenements in several geographically and geologically distinct areas known as the Tati Schist/Greenstone area and the Magogaphate area which includes the Magogaphate Shear Zone which is part of the Limpopo Mobile Zone adjacent to the Zimbabwean craton.

Two uranium tenements are located in or near North West Botswana near the Namibian border.

The sole tenement in the Tati Schist/Greenstone area is known as the Jim's Luck Prospect reported on below.

Regionally the Tati area forms part of the southwest corner of the Zimbabwe Craton referred to in the report by Anpet Exploration Pty Ltd ("the Anpet Report") as having produced 74 million ounces of gold to date and until 1984, the most productive Archaean Greenstone belt in the world. There have been no material changes to the tenements or developments relating to their status since the date of the Anpet Report.

The tenements in the Magogaphate area lie approximately 110km southeast of Francistown and are primarily prospective for nickel and copper metals although past exploration results indicate:

- anomalous gold and platinum values associated with those base metals.
- regional prospective for uranium group elements; for example, the Mokobaesi uranium prospect.

The tenements may also have potential for exploration for diamonds with the Bobonong tenement covering what is believed to be a promising diamond prospect.

Tenement Locations

The location of the tenements is set out in Figures 1 and 2. Detailed tenement maps in relation to each project are in the Anpet Report.

Tenement Status

The current status of the tenements is set out in Table 6 below.

Exploration budgets based on minimum expenditure requirements nominated by the Company at the time of application for the tenements or for their renewal are also set out in Tables 1 and 2 with statutory commitments being set out in the Table to the report by Armstrongs as set out in Section Six.

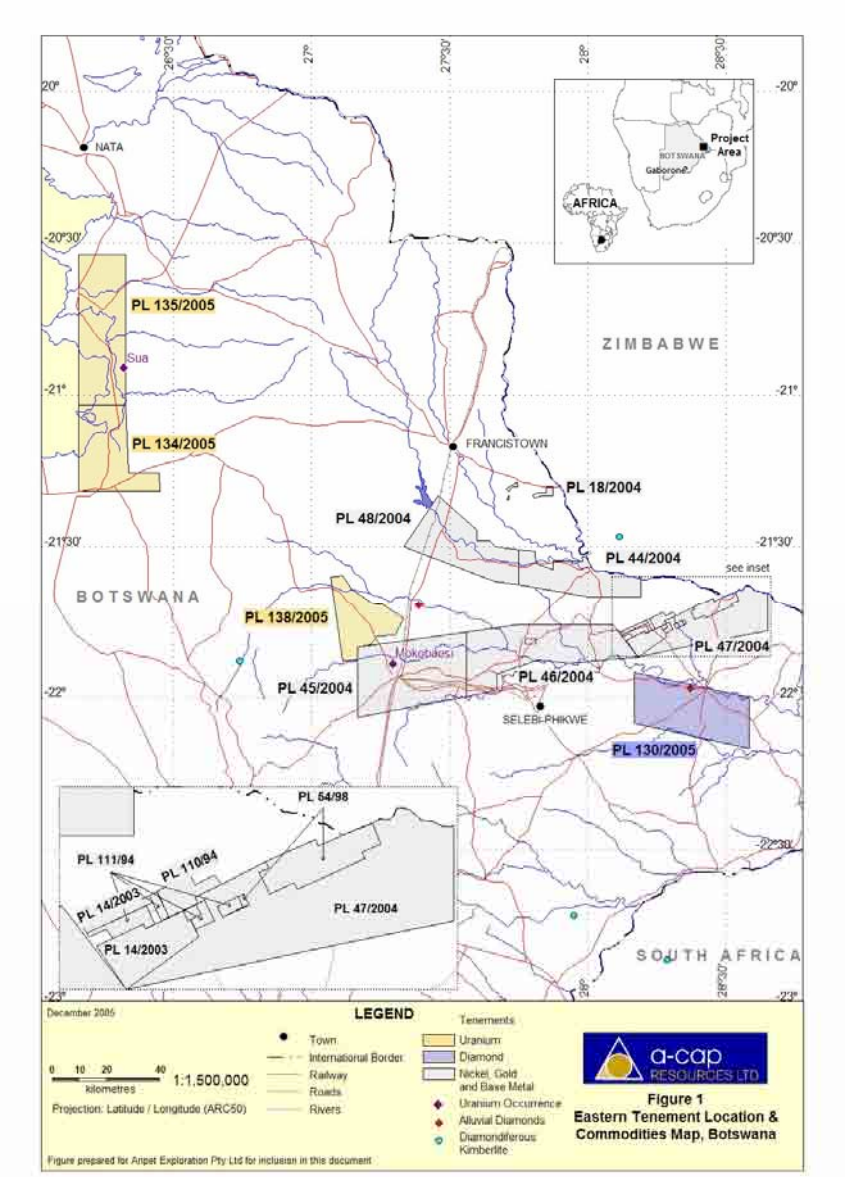


Figure 1
Eastern Tenement Location & Commodities Map, Botswana

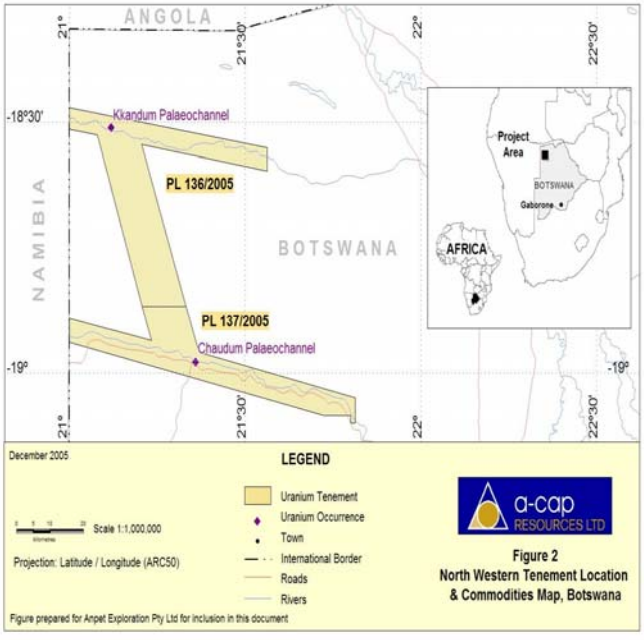


Figure 2
North Western Tenement Location & Commodities Map, Botswana

Figures 1 & 2:- Location Of Tenements In Botswana

JIM'S LUCK PROSPECT

The Jim's Luck Prospect comprises PL18/2004. A-Cap holds a 20% interest in this gold prospect which is surrounded by tenements wholly owned by Gallery Gold. A-Cap has budgeted $200,000 in expenditure for the project for the period up to 30 June 2007 to maintain its 20% interest.

Results from Gallery's Gold's Drilling On Jims Luck Prospect

As Operator, Gallery Gold has carried out a multi phase drilling program of 49 reverse circulation (RC) drill holes on the Jim's Luck prospect which is only 25 kilometres from it's Mupane gold mine development.

The exploration program reveals two primary BIF horizons, the western one (Matsiloje trend BIF) and the eastern one (Jim's Luck trend BIF). These trends and the geology of the Jim's Luck prospect are reported on in detail in the Anpet Report.

Figure 4 in the Anpet Report comprises a map of the Jim's Luck Prospect and shows those trends and the location of the 49 holes drilled to date. The most significant results from that drilling are referred to in Table 4 set out below.

Hole No	From M	To M	Interval M	Grade g/t au
JIMC 02	58	67	9	5.13
JIMC 03	34	44	10	7.82
including	37	40	3	13.7
	51	59	8	3.79
JIMC 06	76	80	4	2.63
including	76	79	3	3.38
JIMC 11	24	33	9	2.40
including	24	27	3	5.94
JIMC 21	25	34	9	4.02
	62	68	6	2.25
JIMC 23	52	57	5	4.27
JIMC 24	52	60	8	5.40
JIMC 29	31	34	3	2.96
	40	41	1	1.69
JIMC 30	20	37	17	0.92
	44	46	2	3.54
	48	49	1	1.58
JIMC 31	17	24	7	3.04
	27	33	6	3.57
	50	52	2	1.12
JIMC 32	30	33	3	2.54
JIMC 37	0	1	1	3.27
	10	15	5	3.95
	23	24	1	2.21
	28	29	1	2.40
JIMC 41	28	36	8	3.92
including	32	33	1	14.15
	48	73	25	0.63
including	61	63	2	1.77
and	65	69	4	1.73
	75	85	10	0.77
including	82	83	1	2.72
JIMC 48	87	106	19	1.25
	92	99	7	2.13
	101	102	1	5.94
	107	116	9	0.67
	113	114	1	1.21
	117	123	6	2.51
	121	122	1	8.53
JIMC 49	60	65	5	4.25
	61	64	3	6.14

Table 4: - Selected Significant Drilling Results from Jim's Luck Drilling Program by Gallery

More complete details of drilling results for this drilling program are set out in the Anpet Report. The proposed drilling program is aimed at delineating indicated resources within the meaning of the JORC Code for the Jim's Luck prospect. The success of the drilling program is significant and your directors are highly encouraged by Gallery's assessment of Jim's Luck as having open cut potential (as released to ASX).

MAGOGAPHATE TENEMENTS

The Magogaphate tenements cover a series of prospects prospective for gold, copper-gold, zinc-lead gold and nickel-copper gold targets. These prospects are dealt with in more detail in the independent report by Anpet Exploration Pty Ltd. The Location of the existing Magogaphate Tenements are shown in Figure 5 to the Anpet Report. Whilst applicants are recommended to read that report in detail, the following is a general overview of perhaps the more important prospects referred to in the report.

NICKEL

The primary nickel prospect at this stage is the Maibele North Prospect. Other prospects are referred to in the Anpet Report.

Maibele North Prospect

Highlights related to the Maibele North Prospect include that the prospect has had significant exploration activity on it, and was previously reported as containing an estimated 380,000 tonnes of mineralisation at 2% nickel with 0.5% copper and associated platinum group elements. This was determined prior to the adoption of the JORC code and is NOT a resource as currently defined in the JORC Code. Further, that estimate of mineralisation is not verified by the Company or by its consultants.

Computer modelling and interpretation of available data has resulted in significant modifications to previous interpretations of the data at Maibele North. (See Section 6.1.1 of the Anpet Report). The main ultramafic body dips steeply south and plunges at a shallow angle to the east. The main ultramafic body is of variable thickness, and appears to be thickening at the eastern-most extent of the drilling that has been carried out.

Mineralization has been confirmed from the surface gossan to the furthest east drill hole: a distance of almost 1,000 metres. Although no detailed metallurgical work has yet been conducted, there appear to be good similarities between the BCL ore and the Maibele North sulphides. This contrasts with some other ultramafic hosted sulphide deposits in the vicinity of Selebi Phikwe.

Best intersections are MAI-91-07 (5625E) with an intersection of 2.30% Nickel over approx 3.92m true width, MAI-92-14 (5650E) with an intersection of 2.07%Ni over approx 3.12m true width, MAI-92-15 (6000E) with an intersection of 0.54%Ni over approx 9.33m true width including 1.26%Ni over approx 1.69m true width, and MAI-92-21 (5750E) with an intersection of 3.1%Ni over a true width of 0.12m. Every recent borehole at Maibele North (MAI-91-07 to 22) has intersected significant sulphide mineralisation, except MAI-92-19.

The maximum vertical depth of sulphides drilled is 190 metres. The most easterly borehole drilled (MAI-92-16, section 6200E) intersected 0.72% Ni over approx 2.60m true width in what is thought to be a "mineralised halo" up-dip of the projected Main Ultramafic: thus proving the lateral extent of mineralisation over the entire length of the Main Ultramafic as currently drilled, approximately 1,200 metres. Drilling results indicate that the prospect is still open to the east, and at depth. Table 5 below sets out the significant drill intersections intersected by Falconbridge in drilling the Maibele North Prospect.

TABLE OF SIGNIFICANT DRILL INTERSECTIONS: MAIBELE NORTH 1991-1995							
Section	**Hole**	**Ni %**	**Cu %**	**PGE +Au g/t**	**Drilled Thickness (m)**	**True Thickness estimated**	**Approx. Vertical Depth**
5550	8	2.10	0.15	0.33	0.50	0.45	60
5600	22	2.04	0.47	N/a	0.37	0.37	155
5625	7	1.90	0.72	1.43	4.83	4.83	80
and	7	2.30	0.57	2.43	3.92	3.92	90
5650	11	2.48	0.41	0.16	0.74	0.37	130
5650	14	1.07	0.33	0.96	1.71	1.55	85
and	14	2.07	0.57	2.58	6.23	3.12	110
5750	21	3.10	0.17	N/a	0.13	0.12	190
including		1.22	0.53	0.56	1.29	1.17	120
and		1.26	0.36	0.36	1.86	1.69	125

Table 5: Significant Drill Intersections: Maibele North 1991-1995

The Anpet Report contains more complete results of the drilling program at Maibele North.

The recognition of 3 potential ultramafic lithological units extending for almost the entire length of the 2 kilometre exploration grid established by Falconbridge suggests that the Maibele North Prospect (and possibly the entire Magogaphate Shear Zone) may not be as complexly deformed as previously thought. Computer models based on the data produced by Falconbridge give a more detailed overview of the Maibele North nickel deposit. These computer models show the nature of the deposit and are figures 7, 8 and 9 in the Anpet Report.

The Magogaphate Shear Zone may be more similar to the Selebi Phikwe area than previously thought: if so, this has significant and promising implications for sulphide mineralisation and exploration.

In the greater Maibele North Prospect area there remain additional anomalies. These are referred to in the Anpet Report.

Summary conclusion

It is not possible to generate a resource estimate for the Maibele North Prospect at this stage but the presence of sulphides in almost every drillhole over such an extent as drill tested (5400E to 6200E: approximately 800 metres) is significant and may indicate that existing exploration has taken place on the periphery of a larger deposit, with drilling to date having been concentrated on a very small, near surface, part of what may be a much larger target.

It appears that Falconbridge significantly underestimated the extent of the potential of the area by restricting its exploration activities to the outcropping area where the gossan was exposed. It appears that the ultramafic may extend a further 600 meters east to the edge of the old exploration grid established by Falconbridge.

From an exploration point of view, the Maibele North Prospect is viewed by the Company as exciting for the above reasons: namely the possibility of 3 extensive ultramafic bodies, the presence of extensive sulphides and a number of high grade intersections.

URANIUM

Prior exploration by Falconbridge, and various other companies, identified a number of promising uraniferous deposits or occurrences within Botswana and, following assessment of that work, the Company successfully lodged applications for uranium group elements over many reported uranium anomalies and deposits within Botswana.

Figures 1 and 2 above set out the location of uranium occurrences within the Company's tenements.

The most promising uranium prospect detected by more than 30 years of exploration for uranium carried out by Falconbridge, Bamangwato Concessions Limited ("BCL"), Union Carbide, Anglo American Corporation, Urangesellschaft, Esso Minerals, Cape Asbestos, Metal and Mining Agency of Japan, and Shell Coal appears, from assessment of the records maintained by the Government of Botswana, to be the Mokobaesi deposit near Serule within the area of PL45/2004: with far more work having been conducted on this deposit than on any other deposit. The Company successfully made an application to expand the minerals covered by existing PL45/2004 to cover uranium group elements.

Mokobaesi

The area of PL45/2004 covers part of the area of Falconbridge's PL14/76 and covers the area of the Mokobaesi deposit near Serule. The Mokobasesi deposit, which is in the form of uranium ochre in calcrete, is located approximately 8 kilometres north of Serule village and approximately 5 kilometres west of the main Gaborone-Francistown road. Highlights relating to the Mokobaesi deposit are set out below. Further details on that deposit and other tenements held by the Company and prospective for uranium are referred to in the Anpet Report.

BCL initially identified the Mokobaesi deposit and carried out detailed ground work over an area of some 1,100 by 500 metres. BCL dug a total of 22 pits to a depth of 3 metres. Seven of these pits generated results greater than 0.05% U_3O_8 and, as referred to in the Anpet Report apparently led to BCL estimating uraniferous mineralisation of 1.75 million tonnes at 0.069% U_3O_8 with a maximum sample value from any single pit being 0.173% (1,730 ppm U_3O_8). (This is NOT a JORC compliant figure and was calculated before the JORC Code came into effect (and in a jurisdiction in which the JORC Code does not apply) and it should be noted that insufficient exploration has been carried out to define any mineral resource and that there is no certainty that further exploration will result in the determination of any mineral resource.)

The Anpet Report notes that the sediments Karoo age sediments in the region are the primary source of uranium mineralisation and confirmed that the surficial uranium bearing calcretes are secondary deposits derived from the underlying sediment.

The mineralised Karoo sediments (underlying the calcrete deposit) have, as referred to in the Anpet Report been estimated to contain a volume of 30 million cubic metres of mineralised material (approximately 75 million tonnes) based on dimensions of 1,200m x 1,000m x 25m thickness and a grade of between 150 – 350 ppm U_3O_8. This is not a resource within the meaning of the JORC Code and was calculated before the JORC Code came into effect (and in a jurisdiction in which the JORC Code does not apply) and is an estimate of potential quantity of mineralisation and grade that is conceptual in nature with insufficient exploration to define any mineral resource having been carried out. Applicants are referred to the Anpet Report referring, in Section 7.2.1 to the Mokobaesi Uranium Prospect generally.

Metallurgical test work carried out by the Metal and Mining Agency of Japan on a bulk sample from the Mokobaesi deposit graded between 0.03 and 0.035% U_30_8. The treatment process included leaching [using Na2CO3,NaHCO3/KMnO4 at 80 degrees Celsius for 2 hours] resulted in a 90% recovery rate which is encouraging as to prospectivity.

Shell Coal drilled north-west of the Mokobaesi cluster as part of its coal exploration program and recovered samples with an assay value of 0.038% U_30_8 over 0.6 metres <u>at a depth of 114 metres</u> in carbonaceous siltstone (possibly the Carbonaceous Tlapana Mudstone, such as in the Dukwe area). This borehole, together with other similar holes, confirms that uranium mineralisation is quite widespread in the Ecca (Karoo age) sediments which comprise sandstones, siltstones and coal measures and particularly, that uranium mineralisation exists <u>below</u> the water table.

Further, the Metal Mining Agency of Japan noted an anomaly east of the Serule rail station, in shale, with some yellow mineralisation seen – an assay value of 0.16% U_3O_8 is reported. These and other values reported in the Anpet Report indicate the wide spread occurrence of significant widespread spot values of U_3O_8 which support the view that re-assessment of the areas held by the Company has substantial merit.

Known metallurgy of the Mokobaesi Deposit indicates likely high recovery rates and this indicates that, if the volume and grade of the Mokobaesi Deposit can be established and maintained, the prospect exists that the deposit may become economic if sufficient volume is present.

The directors believe that the work carried out in the Mokobaesi area indicates a high level of prospectivity and merits a detailed re-evaluation of the work carried out by, in particular, BCL and Falconbridge. The focus of the Company's uranium exploration activity will be on resource delineation in relation to the Mokobaesi Prospect with a view to establishing a significant resource.

BACKGROUND INFORMATION: MARKET OVERVIEW FOR URANIUM

The uranium market is small relative to other commodities but important as the most significant commercial use for uranium is as fuel for nuclear power generation. Nuclear power accounts for approximately 16% of the world's electricity supply and is a major component of power generation in the U.S.A. (20% domestic electricity production), Japan (29%), Germany (32%), France (78%) and South Korea (38%) as well as in other countries.

World-wide, there are 441 nuclear power reactors operating in 30 countries with substantial new capacity expected to be added in China, India, Japan, Russia and South Korea. China has announced plans to build 28 new nuclear reactors and India has announced plans to build 24 new nuclear reactors. The outlook for nuclear power is changing because of concerns about global warming, the industry's safety record increasing efficiency, competitive cost structure and progress towards resolution of waste disposal issues.

It is appropriate to provide information in relation to the market for uranium (U_3O_8) and Uranium prices: including on an historical basis so that investors have a general basis on which to assess the prospectivity of the Company's uranium tenements and uranium mineralisation known to exist within those tenements.

After reaching historic lows in the 1990's, uranium spot prices have risen substantially from around US$10.00/lb U_3O_8 in early 2003 to over US$35.00/lb U_3O_8 today. Major factors influencing this rapid increase in uranium price include a weaker U.S. dollar compared to currencies in the major uranium producing countries, waning commercial uranium inventories, Russia's withdrawal from the uranium concentrates market and increasing requirements for nuclear power generation.

The latest nuclear fuel market assessment and forecast published by the world nuclear association in September 2005 (The Global Nuclear Fuel Market, Supply and Demand 2005 – 2030) has forecast global

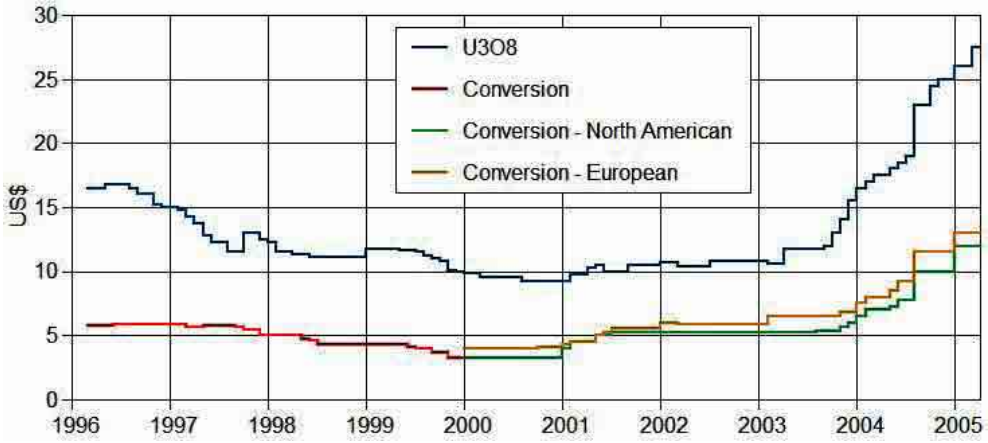
uranium requirements to rise from the current level of about 178 million pounds U_3O_8 per annum to 186 million pounds U_3O_8 per annum by 2010 and to approximately 220 million pounds U_3O_8 per annum by 2020.

Uranium supplies for nuclear fuel are mainly provided by a mix of:

- primary mine production;
- secondary supplies of low enriched uranium from reprocessing spent nuclear fuel; and,
- drawdown of commercial inventories.

Supplies of secondary uranium and commercial inventories are now apparently in decline with contribution to total uranium supply of 35% expected to decline to less than 25% by 2010 and to about 12% by about 2020. As secondary supplies decline, additional primary production will be required with current production (2004) of around 105 million pounds U_3O_8 per annum being required to expand to around 195 million pounds U_3O_8 per annum by about 2020.

This requirement for increased production apparently underpins recent uranium price forecasts and suggests that future prices are likely to remain in a range of US$35.00 to US$45.00 per pound U_3O_8 over the next decade although price reduction to the mid US$20.00 per pound range remains a possibility. The graph set out below shows historic long term pricing trends per pound U_3O_8 to 2005.



Reference to the tables of cut-off grades and actual deposit grades at various deposits shows that with the lower U_3O_8 prices between US$7.25 and US$16.5 per pound, averaging around US$10/lb, between 1989 and 2001, cut-off grades of 0.02% to 0.03% were often used in determining mining grades.

The above may assist the potential mineralisation and grades of 0.03-0.035% U_30_8 on the Mokobaesi Deposit referred to in the Anpet Report to be put in perspective. However, no assumption should be drawn as to the recoverability of or as to the prospective profitability of any mining operation based on the Mokobaesi Deposit at this stage: significant additional work is required to be carried out before any resource can be defined.

A major potential advantage of the establishment of uranium resources in Botswana is that Botswana does not have the same political uncertainties in relation to future production which exist in Australia. Although the Federal Government has now abolished the “Three Mines Policy” the Federal Labour Party maintains a “No New Mines Policy” and the State Governments in Western Australia and Queensland have policies against the development of uranium mines.

DIAMONDS

The diamond potential of Southern Africa has been recognised for over 100 years, but it is only within the last 25 years or so that significant discoveries have been made in the Limpopo Belt. Prior to this, the relatively highly deformed “mobile belt” was not considered amenable to kimberlite or other diamond bearing intrusions. Previous geological theories predicted diamondiferous kimberlites would only occur in ancient geologically stable “craton” areas – this has now been proven not to be true.

The Anpet Report evaluates the regional potential of the Magogaphate area of the Limpopo Belt for diamonds, and reports on reconnaissance sampling carried out in that area.

The Company carried out reconnaissance sampling in the Magogaphate area and has recently been granted the “Bobonong” PL130/2005, covering an area immediately SSE of the Magogaphate area, in which a diamond and pyrope garnets were found by Michaelides and Baxter Brown in exploration work. Indicator minerals were also reported to have been found in the area by African Selection Trust Exploration (ASTE) in 1960. The diamond discovered by Michaelides and Baxter Brown was quite large, weighing ¼ carat, and was apparently

iron stained. The discovery was not apparently pursued with any vigour. The pyrope garnets were thought to have come from calcreted gravels in the headwaters of the Madikulube River, about 9 kilometres to the SSE of Bobonong village.

Further alluvial diamonds found on the Limpopo River (which forms the border with South Africa to the east and south east of the PLA), in a high level channel deposit, were associated with pink mylonitic cobbles in the host gravels. These are interpreted to be potentially derived from the Magogaphate Shear Zone over which the Company holds various PLs.

Importantly, when De Beers explored the area for kimberlites, they focussed on discovery of much larger features of interest than the Company is focussing on, and may have been searching for an incorrect suite of indicator minerals. It can also be noted that De Beers have changed their parameters for exploration and now explore for and mine smaller kimberlitic pipes of the kind that may be present within the area.

GOLD PROSPECTS

Apart from Jim's Luck, which is dealt with above, a summary outline of the Company's main gold prospects in Botswana is set out below. Details of these prospects are more particularly set out in the Anpet Report.

Magogaphate Gold Prospect PL110/94

The primary gold prospect to date has been the Magogaphate Gold Prospect. A report to the precursor of the Botswana Mines Department in 1955 showed gold associated with quartz veins in a sheared and silicified zone 30m-170m wide and about 1,250m long. The grade of the quartz veins was estimated at about 3gAu/t. Work carried out by Clutha Ltd in 1988 included soil sampling and trenching and included results from one narrow vein approximately 10cm wide averaging 38.5 gAu/t with a spread of values indicating the presence of coarse gold. Additional exploration has established a 2,500m strike length including the John Bentham group of anomalies (gold, copper, molybdenum and silver) which remain open to the east, southeast and west.

The anomalous gold zones are broad: up to 250m width whereas the other associated anomalous metal zones are even broader: up to 500m width. Drilling has shown alteration styles are very similar to Renco in Zimbabwe. Additional work is required to locate strongly mineralised bodies within the favourable zones identified, and to extend the strike extent of the anomalies.

Makhantlele Gold Prospect PL54/98

The Makhantlele Gold Prospect is interpreted to have a strike length of at least 8km long with possibly 2 or 3 sub-parallel horizons. Multi-element anomalies appear to be partially coincident with the major structures, and potential is thought to be present for Renco style mineralisation similar to that found at the Magogaphate Gold Prospect, but on a larger scale. Recent soil sampling over a small part of these anomalies has found soil anomalies parallel to and in part covalent with mapped structures.

Other Prospects

New tenements issued in 2004 cover the boundary of the Northern Marginal Zone of the LMZ in the north (Shashe River East and West tenements) and the Letlhakane Fault Zone in the south (Sampowane and Lethlakane tenements). These are considered highly prospective for Renco-style gold deposits, similar to the Renco Mine located not far away in the Northern Marginal Zone in Zimbabwe.

In Renco-style deposits, gold may be associated with copper or other metals in shear zones, and the occurrence of several small copper deposits along Northern Marginal Zone is encouraging. Renco-type gold is often micron-sized, leading to little or no pannable gold being visible to historical prospectors. The lack of any modern gold exploration in these areas leads to significant potential for new exploration. Recent drainage sampling found copper gold anomalies as well as platinum and nickel-copper anomalies.

COPPER

Further detail on the Company's copper prospects is contained in the Anpet Report. In summary, the primary copper prospect held by the Company is the Dibete or Airstrip Copper Prospect. The Magogaphate area tenements containing this prospect have only been explored to a very limited degree in the past 40 years. In addition, the new tenements issued in 2004 contain a number of other known near surface copper deposits, which warrant detailed re-examination as copper deposits, in addition to being possible indicators of Renco style gold mineralisation.

Recent work by A-Cap on the Airstrip Copper Prospect has consisted of trenching over a strike distance of 650 metres with 50 metre spaced trenches over 300 metres.

Visible copper carbonates (malachite) were present over a distance of 150 metres with a maximum width of 16 metres in one trench, however no analytical results are available at present.

The 2 photographs below show the trench from which the visible copper mineralisation was taken and some specimens from the trench.

Photograph 1: trench with visible copper mineralisation from Airstrip Copper Prospect

Photograph 2: malachite samples taken from trench in photograph 1

EXPLORATION TENEMENTS - BOTSWANA

A summary of the Company's exploration tenements in Botswana is set out in the table below. Application has been made for renewal of the tenement expiring 31 March 2006 and will be made for renewal of the tenements expiring 30 June 2006.

All of the Company's interests in Botswana other than PL18/2004 (Jim's Luck) are subject to the 5% net profits interest referred to in clause (c) in Section Eight. The table below should be read in conjunction with the notes to tables 1, 2 and 3 above.

The Company expects that it will not be required to meet or expend the total amount set out for the years 30 June 2006 and 30 June 2007 by a combination of factors including farm-out.

To the extent that the Company does not have funds to meet these expenditures or ensure that the commitments are met by farm-out, it will need to raise additional capital or relinquish/surrender various of the tenements.

Title	Name	Status	Date of grant or renewal	Date of Expiry	Holder	A-Cap % Interest	Area sq km
PL 18/2004	Jims Luck	Granted	1/7/2004	30/6/07	GGB#	20	20.2
PL 110/94	Magogaphate (Maibele North)	Granted	1/7/2004	30/6/06	CMB#	100	27.7
PL 111/94	Mokoswane	Granted	1/7/2004	30/6/06	CMB	100	36.1
PL 14/2003	Majante	Granted	1/4/2003	31/3/06	MHB#	100	100.0
PL 54/98	Takane	Granted	1/7/2004	30/6/06	CMB	100	80.1
PL 47/2004	Gobe Shear	Granted	1/7/2004	30/6/07	CMB	100	499.6
PL45/2004	Letlhakane	Granted	1/7/2004	30/6/07	CMB	100	1000.0
PL 46/2004	Sampowane	Granted	1/7/2004	30/6/07	CMB	100	935.9
PL 44/2004	Shashe River East	Granted	1/7/2004	30/6/07	CMB	100	487.7
PL 48/2004	Shashe River West	Granted	1/7/2004	30/6/07	CMB	100	647.0
PL135/2005	Sua	Granted	1/10/2005	30/9/08	CMB	100	971.2
PL134/2005	Mea	Granted	1/10/2005	30/9/08	CMB	100	650.6
PL130/2005	Bobonong	Granted	1/10/2005	30/9/08	CMB	100	796.0
PL138/2005	Bolau	Granted	1/10/2005	30/9/08	CMB	100	429.2
PL136/2005	North Uray	Granted	1/10/2005	30/9/08	CMB	100	765.7
PL137/2005	South Uray	Granted	1/10/2005	30/9/08	CMB	100	593.6
Total Area							**8040.6**

Table 6 – Tenements and status: Botswana

"GGB" means Gallery Gold Botswana (Pty) Ltd, the Company's joint venture partner in the Jim's Luck project. "MHB" means Mineral Holdings Botswana (Pty) Ltd, which has a 5% net profits interest in all the Botswanan tenements except PL18/2004 (Jim's Luck). "CMB" means Cardia Mining Botswana (Pty) Ltd, a wholly owned subsidiary of the Company.

CHINA: GANSU PROVINCE

In conjunction with investors and proposed joint venturers in Gansu Province in the People's Republic of China ("China"), the Company incorporated Gansu Sino-Australian Mineral Resources Development Company Limited ("Gansu") to acquire interests in China.

A report by the Company's consulting geologist, T. G. Summons is set out in Section Six in relation to the Company's operations in China. In addition, a report by Gansu Jincheng Law Firm detailing the tenements in which the Company has an interest and their status is set out in that Section. Those reports should be read in full to form a detailed understanding of the Company's rights and interests in China. The location of the Company's operations in China are shown in the report by T. G. Summons. There have been no changes in status or developments in relation to the Company's tenements in China since the date of the reports by T. G. Summons and Gansu Jincheng Law Firm.

QINQI JOINT VENTURE

The Company's subsidiary has entered into a contract of cooperation ("Contract") with the Gansu Government via its commercial arm Gansu Qinqi Minerals Company Limited [Qinqi] to explore for gold in Gansu Province, China. The Contract allows for the development and mining of any gold resources discovered during the exploration phase. The Contract area consists of a single Exploration Permit covering approximately 71 sq km near the village of Hei Hua Tan, situated some 27km east of the town of Dang Chang in southern Gansu. Applicants are referred to the report by Mr Summons contained in Section Six. Given the matters referred to in the report by Gansu Jincheng Law Firm in relation to the Contract, no funds have been allowed or allocated for exploration in relation to the areas the subject of the Contract in the application and use of funds statement.

EXPLORATION

The Company is exploring for gold through its wholly owned subsidiary, Gansu Sino-Australian Mineral Resources Development Company, in south-central Gansu, near the town of Xihe. The Company currently has one granted Exploration Permit covering 43 sq km (Ma Yuan North), and applications for three additional Exploration Permits totalling about 263 sq km. As the applications are unlikely to be approved in the near

future, no funds have been allowed or allocated for exploration in relation to the areas the subject of the applications in the application and use of funds statement. Applicants are again referred to the report by Mr Summons.

CONTRACT AND TITLE MATTERS

The report by Gansu Jincheng Law Firm should be reviewed carefully in the context of the Company's interests in China, including in relation to the Contract and the prospect of grant of the Company's applications for exploration rights. The grant or timing of grant of the applications cannot be assured.

The report by Gansu Jincheng Law Firm summarises the details of the operation on mining law in China and the manner in which exploration licences and mining licences are granted as well as commenting on transfer requirements and the requirements for foreign investment in China's mineral resources sector generally. That report verifies the establishment of the Company's subsidiary, Gansu Sino-Australian Mineral Resources Development Co. Ltd as a wholly foreign owned enterprise duly registered and that Licence No. 01000005.10098 in relation to Ma Yuan was issued to that entity on 6 June 2005. The annual exploration fee is RMB100/km^2 with minimum exploration expenditure in the first year of RMB86,400 and in the second year RMB216,000. The Company's budgeted exploration set out in Tables 1 and 2 in Section Three exceed this amount.

However, the Company's interest in the Contract is subject to a series of issues which require to be resolved before that Contract can proceed with any likelihood of success. In particular, Qinqi guarantees that it is the lawful owner of the exploration licences which are the subject of the agreement, but this is not so as they are registered under the name of a related entity and must be transferred to Qinqi so that it can provide the sub-strate of the Contract by providing the relevant tenements. Additionally, the Company's subsidiary is a foreign invested enterprise (FIE) and as such subject to specific restriction of investment in other companies in China and it may be that the Company will need to rearrange the structure through which the joint venture the subject of Contract is proposed to be undertaken before it can proceed with Chinese law.

The report by Gansu Jincheng Law Firm deals with other issues including that provisions for termination (if exploration indicates that tenements do not contain economically viable deposits of minerals) are unclear from and that it is uncertain whether the decisions can be taken unilaterally by the Company's subsidiary or whether the decisions must be a joint decision. Given the recommendations of the Company's solicitors in that report, the Company proposes to seek to re-negotiate the Contract to address the difficulties and issues identified in the report. As a consequence of the above, the certainty of the Company completing the contracted acquisitions of an interest in the tenements the subject of that Contract must be regarded as uncertain as to timing and it may be that the parties will not be able to satisfactorily resolve their differences to enable the proposals to proceed.

AUSTRALIA: HODGKINSON BASIN: QUEENSLAND

The Hodgkinson Basin has been an area of good returns to small gold miners for more than 100 years. The Basin has received modern systematic exploration in only the last 10 to 15 years. In more recent times a number of the larger companies have recognised the potential of the Basin to host larger gold resources and have taken land positions.

The Hodgkinson Basin Projects are located 120 kilometres north west of Cairns and cover 400 square kilometres. The projects are made up of three Exploration Permits for Minerals (EPM) and one application for an Exploration Permit for Minerals (EPM (A)). The Projects were initially acquired for their potential to host large, structurally controlled deposits associated with major NW trending structural features. The areas also have the potential to host moderate tonnage open pittable gold resources contained within quartz reef systems. The projects comprise Reedys EPM 9934 (which comprises 13 sub-blocks), Tempest EPM (A) 11765 (which comprises 5 sub-blocks), Campbell Creek EPM 10026 (which comprises 13 sub-blocks) and Hurricane South EPM 12240 (which comprises 6 sub-blocks). The Company has reduced its interest in these tenements to a 4% carried interest. The tenements are subject to Native Title Claims as referred to in the report from Corrs Chambers Westgarth in Section Six: which Applicants should read.

Geologically the projects are contained within the Hodgkinson Basin, a deformed marine Siluro-Devonian sedimentary sequence. Dominant rock types are greywacke, arenite, shale, slate and minor conglomerate. Structurally the projects cover major fault systems trending NW. The Basin hosts widespread and varied mineralisation including tin, copper, antimony, tungsten, fluorite, lead, silver and gold. Gold mineralisation is closely associated with quartz veining within dilational zones on the main NW trending structural zones.

Exploration to date has identified two principal styles of quartz veining related to two styles of gold mineralisation. An earlier style of veining is more commonly associated with shale and siltstone hosted ductile shear zones (Campbell Creek). A later style of veining being more brittle resulting in stockworking (Reedys)

and brecciation (Hurricane South) of the greywacke host rock. In the brittle environment higher gold grades are generally confined to quartz veins whilst the weakly altered host rock inherits a low-grade halo. Grades of up to 30.10g/t gold have been drill intersected at the Reedy project. Wider zones of evenly distributed gold mineralisation are confined to ductile shear hosted environments such as the Campbell Creek Project. Work completed by the Company and its Joint Venture partners has included stream, soil and rock geochemistry, gridding, geological mapping, metallurgical testwork and reverse circulation drilling.

At Reedy 8A, one of five gold bearing basins identified by stream sediment geochemical sampling, a total inferred, indicated and measured resource of 700,000 tonnes @ 1.65g/t gold (cut off 0.5g/t) was calculated to a vertical depth of 40 metres and remains open in all directions. This can be broken down as

- High Grade (>1g/t) 360,000 tonnes @ 2.50g/t gold
- Low Grade (<1g/t>0.5g/t) 339,000 tonnes @ 0.74 g/t gold

The other four gold bearing basins have yet to be tested.

At Campbell Creek limited drilling has tested the Ivory Vein, one of eleven gold-bearing quartz vein systems within a 1.5 kilometre strike length identified by BHP in the late 1980's. Drilling results included 19 metres @ 2.14 g/t gold. Stream sediment sampling confirmed the earlier work conducted by BHP and highlighted the prospectivity of the area. Location maps showing the generalised location of the Hodgkinson Basin and, within that, the tenement areas, are set out below in Figures 3, 4 and 5 below.

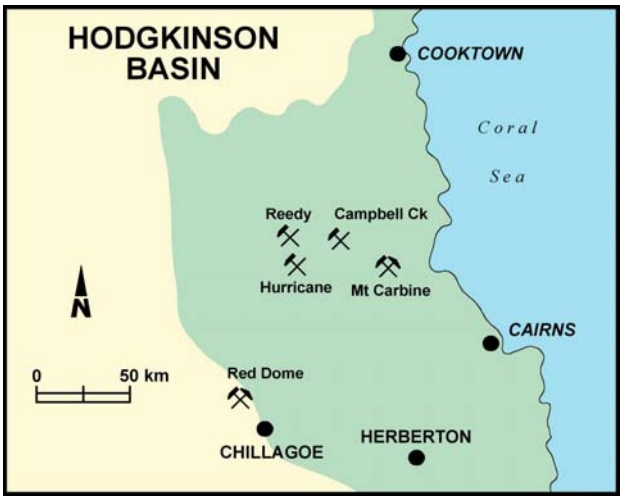


Figure 3 - Location: Hodgkinson Basin Tenements

Figure 4 - Reedy Project: Stream Sediment Gold Anomalies

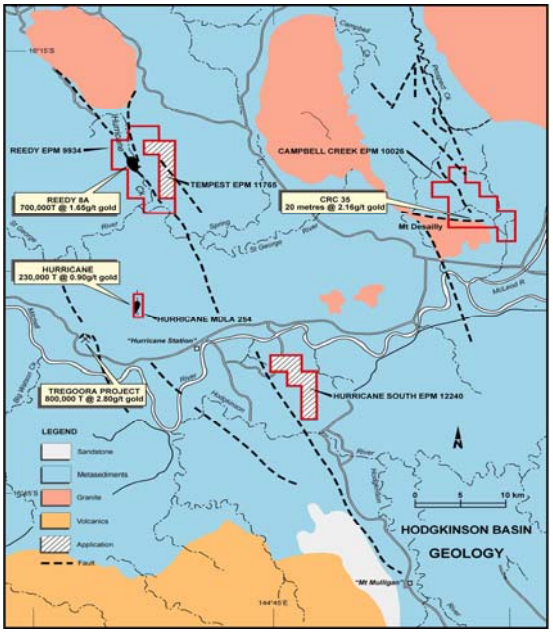


Figure 5 - Location of Reedy, Campbell Creekand Hurricane South Projects

SECTION FIVE

DIRECTORS AND MANAGEMENT

DIRECTORS

At present the Company is managed by its Directors.

Patrick Volpe (Chairman)

Mr Volpe holds a Bachelor of Business degree and a post graduate diploma in Taxation.

Mr Volpe is the current Chairman of Cardia Technologies Ltd and BioGlobal Limited (an unlisted public company in which Cardia is a major shareholder) and a director of Dia-B Tech Limited. In the past 18 months he has been responsible for Cardia Technologies Ltd's asset divestment strategy and has been the driver leading to the listing of the Company and Dia-B Tech Limited.

He has worked extensively in the stockbroking industry specialising in corporate restructuring, business acquisitions, investment advising and capital raisings. He has held management and financial positions with National Australia Bank, Pacific Dunlop Limited and Ansett Transport Industries Limited. His experience covers many industries including mining, media, transport and services, manufacturing, banking and taxation.

In the past 12 years Mr Volpe has been the executive chairman of several other listed public companies, including Media Entertainment Group Limited, Mintech-8 Ltd, E-com Global Limited and AIM Resources Limited (formerly Fraser Range Limited). During this period he has gained both local and international business experience: particularly in Africa, China and other parts of Asia.

Mr Volpe holds securities in the Company as disclosed in Section Eight and is also a director of and shareholder in Cardia Technologies Ltd, to which entity the Company owes moneys on a convertible note as disclosed in Section Eight and which is to convert to shares at the issue price ($0.20) on the listing of the Company on ASX.

Peter Pena

Mr Pena is a corporate lawyer with a Masters Degree from Sydney University. He specialises in commercial law, resource law and international business law and, after practising for a number of years in Australia, is now the principal of a legal practice in Port Moresby.

During his period as a practicing solicitor in Australia he was employed by Blake Dawson Waldron and Corrs Chambers Westgarth.

Mr Pena has been in legal practice for 15 years.

He has been a director of the Company since prior to its listing on NSX and has also been a director of Cardia Technologies Ltd since 1998.

Harry Stacpoole

Mr Stacpoole is Managing Director of Stacpoole Enterprises Pty Ltd, a civil contracting, drilling and mining exploration company based in Launceston in Tasmania. He was a founding director of Beaconsfield Gold Mines Ltd in 1987 and was closely involved in the development of that company's mine in Tasmania becoming Chairman of the restructured Beaconsfield Gold N.L. in 1992.

The primary asset of Beaconsfield Gold N.L. was its interest in the Beaconsfield Joint Venture to develop the Beaconsfield goldmine in which joint venture Beaconsfield Gold N.L. became the junior partner holding 48.9% with Allstates Exploration (the Joint Venture Partner) being manager. For various reasons the performance of plant and equipment used in mining at the Beaconsfield Goldmine was inadequate, the mine lost money and the manager was placed in administration. This led to Bank West, the major creditor of Beaconsfield Gold N.L. placing Beaconsfield Gold N.L. into receivership. Mr Stacpoole resigned as a Director of Beaconsfield Gold N.L. in 2001 prior to Beaconsfield Gold N.L. being placed in receivership. The reason for his resignation was that he believed the Company should have been placed under administration because it may not have been in a position to pay interest due to its major creditor (Bank West). The Beaconsfield goldmine was cash positive when Beaconsfield Gold N.L. was placed into receivership. Recovery rates for gold were improved

subsequence to receivership and from the proceeds of production and further capital raisings all debt of Beaconsfield Gold N.L. was repaid with the receiver manager retiring on 12 March 2004. Subsequent to that date Beaconsfield Gold N.L. was in a position to declare dividends to its members.

Mr Stacpoole's considerable experience in developing mining projects and as a director and life member of the Tasmanian Minerals Council and as a member of a number of Tasmanian Government Overseas Trade Missions has enabled him to develop considerable knowledge in relation to the mining industry both in Australia and elsewhere and that experience will benefit the Company generally.

Mr Stacpoole holds securities in the Company as disclosed in Section Eight.

Desmond Wan

Mr Wan specialises in international trade and marketing with an emphasis on marketing plans and product development and commercialisation. He has had particular experience in marketing and networking in the People's Republic of China and in southeast Asia in general and, speaking fluent English together with Mandarin and Cantonese, he provides a valuable communications and business link with the Company's Chinese associates.

Mr Wan holds securities in the Company as disclosed in Section Eight.

Applicants are also referred to clause 3 in Section Eight dealing with directors' interests generally.

SECTION SIX

EXPERTS' REPORTS AND FINANCIAL INFORMATION

Independent Geologists Report - Botswana Projects And China Projects

Anpet Exploration Pty Ltd has prepared an Independent Geologists report on the projects in Botswana as attached hereto.

T. G Summons has prepared an Independent Geologists report on the projects in China as attached hereto.

There have been no changes in the status of the tenements or in operations in relation to the tenements subsequent to the preparation of those reports.

Independent Accountant's Report

Webb Callaway Paton has prepared an Independent Accountant's Report showing the effect on the Company of the Issue and implementation of the proposals set out herein. This report is attached hereto.

Independent Solicitors Reports

Armstrongs has prepared an Independent Solicitor's Report commenting on title to the Company's tenements in Botswana.

Gansu Jincheng Law Firm has prepared an Independent Solicitor's Report commenting on title to the Company's tenements in China and the Contract of Cooperation entered into with the Gansu Government via its commercial arm Gansu Qinqi Minerals Company Limited.

Corrs Chambers Westgarth have prepared a report commenting on title to the tenements in which the Company has a carried 4% interest in the Hodgkinson Basin in Queensland.

Save that application has been made to renew the Majante tenement in Botswana there has been no change in the status of the tenements in Botswana or China since the date of the Armstrongs report or since the date of the Gansu Jincheng Law Firm report. Further, enquiries made on 28 March 2006 of the Department of Natural Resources and Mines in Queensland shows that there has been no change in the title status of the exploration permits referred to in the report by Corrs Chambers Westgarth.

Summary Financial Statements

The Independent Accountants Report prepared by Mr Luckins of the firm of Webb Callaway Paton contains a pro forma statement of financial position based on the audited accounts of the Company and its controlled entities as at 30 June 2005 and unaudited management accounts as at 31 December 2005.

Applicants should read the Independent Accountant's Report carefully and refer to it for full financial details including notes to the accounts.

REPORT

on the

BOTSWANAN TENEMENTS

January 2006

Report prepared for

A-Cap Resources Limited

by

Anpet Exploration Pty Ltd

Author: PA Temby MAIG, MSEG

Date: 10 January 2006

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Principal Consultant: Peter Temby, Ass. Dip. Geol. RMIT, MAIG, MSEG

10 January 2006

The Directors
A-Cap Resources Limited
Suite 5.10
Level 5 Pacific Tower
737 Burwood Road
Hawthorn Vic 3122

Dear Sirs

Independent Geological Report on the Exploration Interests of A-Cap Resources Limited in Botswana

1 Statement

Anpet Exploration Pty Ltd (Anpet) Consultant Geologists, has been requested by A-Cap Resources Limited (A-Cap) to prepare an Independent Geological Report on A-Cap's interests in Botswana for inclusion in a Prospectus to be issued by A-Cap relating to an issue of up to 25 million shares of $0.20 each in A-Cap to raise up to $5,000,000.

This report provides an Independent Consultant Geologist's appraisal and review of the nickel, gold, zinc-lead, uranium and diamond properties held in Botswana by A-Cap or its wholly owned subsidiary, Cardia Mining (Botswana) (Pty) Ltd, and its joint ventures with Gallery Gold Botswana (Pty) Ltd and Mineral Holdings (Botswana) (Pty) Ltd.

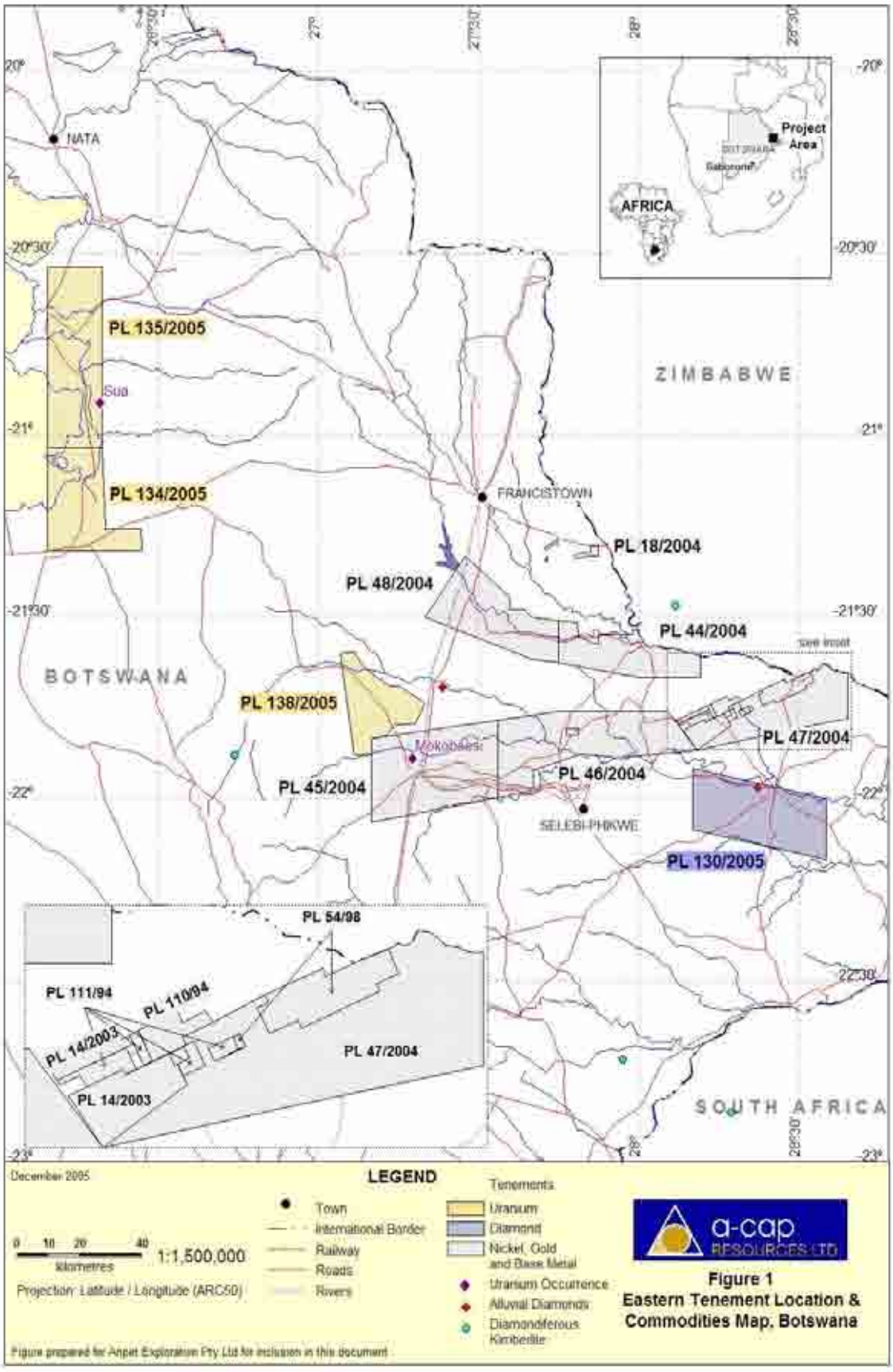


Figure 1
Eastern Tenement Location & Commodities Map, Botswana

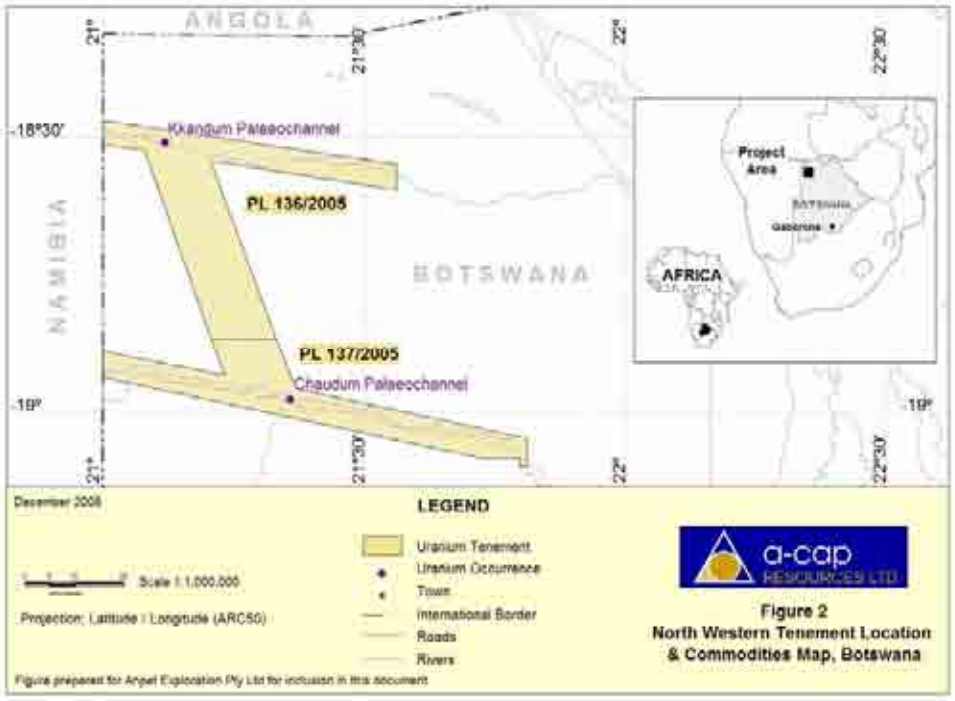


Figure 2
North Western Tenement Location & Commodities Map, Botswana

The exploration areas described in this report are listed in the Tenements Summary below.

Table 1 Tenements Summary

Tenement Name	Tenement Number	Area (km^2)	Status	Expiry
Jims Luck	PL 18/2004	20.2	Granted	30/6/07
Magogaphate (Maibele North)	PL 110/94	27.7	Granted	30/6/06
Mokoswane	PL 111/94	36.1	Granted	30/6/06
Majante	PL 14/2003	100.0	Granted	31/3/06
Takane	PL 54/98	80.1	Granted	30/6/06
Gobe Shear	PL 47/2004	499.6	Granted	30/6/07
Letlhakane	PL45/2004	1000.0	Granted	30/6/07
Sampowane	PL 46/2004	935.9	Granted	30/6/07
Shashe River East	PL 44/2004	487.7	Granted	30/6/07
Shashe River West	PL 48/2004	647.0	Granted	30/6/07
Sua	PL 135/2005	971.2	Granted	30/9/08
Mea	PL 134/2005	650.6	Granted	30/9/08
Bobonong	PL 130/2005	796.0	Granted	30/9/08
Bolau	PL 138/2005	429.2	Granted	30/9/08
North Uray	PL 136/2005	765.7	Granted	30/9/08
South Uray	PL 137/2005	593.6	Granted	30/9/08

Inspections have been made of the prospects or exploration areas for the gold, base metals and diamond tenements but not for the uranium tenements. These inspections were made between the period from 1989 to April 2003, during which time Peter Temby or Anpet Exploration were engaged by MHB, MHB,s joint venture partner Clutha Limited, or by Cardia Technologies Limited to conduct exploration programs on the various gold and base metal properties and on the diamond property. Neither Anpet nor Peter Temby has had a business relationship with Cardia Technologies Limited or A-Cap since November 2004 and does not have any pecuniary interest in A-Cap Resources Limited or associated entities or any of the assets of A-Cap or related entities or a beneficial interest in the outcome of the Technical Assessment made in this report.

The status and tenure of the tenements has been independently reviewed and reported on in the Independent Solicitors report by Armstrongs and the material agreements and legal and statutory requirements relating to the A-Cap, Gallery and MHB interests are included in that report.

The information used to prepare this report has been drawn from correspondence with the management and consultants to A-Cap and Cardia Technologies Limited and we do not doubt the authenticity or substance of investigation reports. We have relied on the budgets developed by A-Cap's consultants as appropriate to carry out the programs proposed.

This report has been prepared by Peter Temby who is a qualified geologist with over 35 years experience in minerals exploration and evaluation. Peter Temby is a member of the Australian Institute of Geoscientists (AIG)

This report has been prepared in accordance with the listing rules and requirements of the Australian Stock Exchange Limited, The VALMIN Code 2005 and the Australian Securities Investment Commission (ASIC) Practice Note 42. Practice Note 42 provides guidance to ensure that the expert report is independent of the commissioning party and that the assessments are to the highest professional standards.

We are of the opinion that:

A-Cap has satisfactory and clearly defined exploration and expenditure programs which are reasonable having regard to the stated objectives of the Company.

Sufficient exploration work has been carried out on the tenements and sufficient exploration potential exists to justify the budgeted exploration and expenditure programs.

A-Cap's programs are developed for a period of two years but they may be altered in view of results gained which could result in revision of the current priorities.

Anpet Exploration Pty Ltd has been involved in preparation only of this independent geological report on the exploration interests of A-Cap Resources Limited in Botswana and has authorised or allowed issue of this part of the Prospectus only. Anpet Exploration Pty Ltd has given consent in writing to the issue of this Prospectus with this Independent Report included in the form and context it was provided and has not withdrawn that consent before lodgement of the Prospectus with the Australian Securities and Investments Commission (ASIC).

2 Introduction

Exploration areas held by Cardia Mining Botswana (Pty) Ltd, a wholly owned subsidiary of A-Cap Resources Limited, are located in or adjacent to the Limpopo Mobile Zone (“LMZ”) and the Zimbabwe Craton in central and northeastern Botswana.

Cardia Mining Botswana is exploring for nickel-copper deposits, gold deposits, zinc-lead deposits, uranium deposits and diamond deposits in its tenements. Deposits of all these commodities are known in the region and include world class nickel deposits, significant gold deposits and diamond deposits and undeveloped resources of uranium.

A total of nine tenements are held for base and precious metal prospects, principally in the Magogaphate Shear Zone within the Limpopo Mobile Zone located in North East Botswana. One additional tenement for diamonds and five tenements for uranium have been granted.

An additional tenement in the Zimbabwe craton contains an advanced gold in BIF prospect that is held by Gallery Gold Botswana (GGB) in which Cardia Mining Botswana retains a 20% contributory interest.

Advanced prospects for nickel and uranium are present on the granted tenements and significant potential for copper deposits and Renco style gold deposits exists within the granted tenements. In addition Cardia Mining Botswana has recently been granted new tenements for gold and nickel and uranium to the west of the Magogophate area.

The Magogaphate Shear Zone is considered to be a significantly under-explored, highly prospective multi-mineral terrain, and has been explored by Cardia Technologies Limited and A-Cap Resources Ltd for several years. Extensive exploration activity by major companies as well as small companies is currently underway in the general region, targeting both base and precious metals and diamonds.

3 Regional Geology

The LMZ is a polymetamorphic terrain situated between the Zimbabwean and the Kaapvaal cratons. It is one of the oldest orogenic belts in the world, marked by a pronounced polyphase metamorphic evolution, which extended over a period of around 900 million years. The basement rocks within the LMZ are older Archaean gneisses of up to 3790 million year age, and are overlain by supracrustal sequences of a range of ages up to about 2650 my. The supracrustal sequences include metamorphosed equivalents of sandstones, mudstones,

limestones and probable significant acid and basic sequences. Intrusion of the supracrustal sequence by layered basic complexes and ultramafic plugs has occurred particularly in the Central Zone of the LMZ.

Recent interpretations of the geology suggest that the LMZ is much larger than previously thought and may include the Shashe Belt. The combined Limpopo-Shashe belt appears to have been partially subducted under the Zimbabwean craton at around 2700-2600 my. This subduction event gave rise to extensive magmatism both within the LMZ-Shashe belt and on the margin of the Zimbabwean craton. This is thought to include both intrusive and extrusive suites.

Major re-activation of the LMZ occurred around 2000my, with retrograde metamorphism, cooling and uplift.

Regional Karoo aged dolerite dyke swarms are present and Tertiary uplift, faulting and warping has affected the tenement areas.

The LMZ can be divided into three zones, the Central Zone (CZ), the Southern Marginal Zone (SMZ) which borders the Kaapvaal craton, and the Northern Marginal Zone (NMZ) which borders the Zimbabwean craton. Major mylonitic shear zones sepearate the Central and Marginal zones. These zones have up to 70 kms of lateral displacement on them. The marginal zones are separated from the adjacent cratons by zones of thrust faults.

The Zimbabwe craton has a significant history of gold production and which to date has produced 74 million ounces of gold and which, up until 1984, was the most productive Archaean Greenstone belt in the world. Part of the Zimbabwe craton in Botswana is known as the Tati Schist Belt and contains the Mupane Gold Mine, the Tati nickel mine and a series of prospect for copper and nickel that include the Jims Luck prospect in which Cardia Mining Botswana has an interest.

The MHB-Cardia Mining Botswana JV tenements cover a substantial proportion of the Magogaphate Shear Zone (MSZ). This is a major dextral shear zone that lies on the boundary between the Central Zone and the Northern Marginal Zone of the LMZ in Botswana. The MSZ is up to 15 kms wide in the Magogaphate area and contains very linear series of sequences that are often mylonitic, but which contain more competent units that are less deformed. Geological mapping and interpretation suggests that a sequence of bimodal volcanics and/or epiclastics, mafic and ultramafic intrusives, granitic intrusives and sediments are present. The sequence is mapped in published government geological maps as Banded Gneiss, due to it consisting predominantly of locally quite variable paragneiss.

The MHB-Cardia Mining Botswana JV hold three tenements that have been in existence for several years and which cover the advanced Maibele North deposit and Magogaphate gold prospects and several other significant but less advanced prospects.

Recent Cardia Mining Botswana Mining tenements include two tenements bordering the northern margin of the Northern Marginal Zone of the LMZ which contain a number of copper prospects, and which is prospective for Renco style gold (copper) mineralisation.

Two additional tenements cover the westerly extension of the Magogophate Shear Zone and Letlhakane Fault, and are prospective for nickel-copper, platinum and gold. One of these tenements also contains the most significant deposit of uranium identified in Botswana.

A fifth tenement is located south of the large Makhantlele gold anomaly to cover the gold potential present and the Gobe Shear, which is a small analogue of the Magogaphate Shear Zone with recorded base metal mineralisation present.

A sixth licence for diamonds to the south-east of the other tenements has recently been granted.

A further five tenements for uranium have been granted in October 2005.

4 Mineralisation styles in the Limpopo- Shashe Belt

Mineralisation in the Limpopo- Shashe Belt includes mafic- ultramafic plug and sill related nickel-copper and copper mineralisation, shear zone related gold mineralisation, minor chromite mineralisation and probable volcanogenic style lead-zinc mineralisation.

The nickel-copper mineralisation is characterised by the major deposits at Selebi Phikwe, where massive and disseminated nickel and copper sulphides in mafic sills have been mined since the early 1970's, with production planned to continue until at least 2011.

Smaller deposits, with higher nickel:copper ratios, are found associated with ultramafic plugs and sheet like intrusives in the Magogaphate Shear Zone including the Maibele North deposit.

Gold mineralisation is widespread in the Limpopo-Shashe belt, with the best known deposit being the Renco Mine which occurs within the Northern Marginal Zone in Zimbabwe. This deposit has gold mineralisation within mylonitic shears in granulite grade metamorphic rocks associated with an alteration assemblage characterised by biotite, calcite and garnet. Gold grade is unrelated to sulphide content, and the pyrite content is low. Associated trace metals are copper and bismuth, with very minor molybdenum and tellurides.

Recorded production at the Renco mine between the 1930's and major redevelopment in the 1980's was 140,000 tonnes at a grade of 10.1 g Au/t. Recent production has been of the order of 2,200 kg Au/yr, and reserves in 2001 were 300,000 tonnes at 9.49 g Au/t. Additional new resources have been found, as well as a number of other exploration targets. A conceptual Renco style target is therefore in the order of a one million ounce of gold deposit.

Similar style deposits are known in the Southern marginal Zone with the Franke Mine in South Africa being a typical example. It has biotite –quartz alteration and has significant sulphide contents associated with the orebody, which consists of several parallel mineralised zones, which individually may be up to 20 metres wide. Host rocks are mylonitic shears in previously upper amphibolite grade metamorphosed banded iron formation (BIF), and mafic to ultramafic schists. Remaining reserves at the mine, which were delineated in the late 1980's, were in excess of 0.6 million tonnes at 4.35 g Au/t in 1994. A second deposit is known about 2 kms to the south, where the mineralised zone is about 60m wide. This is probably either along strike, or an en-echelon deposit.

Zinc-lead geochemical anomalies, some of which appear to be associated with EM conductors, are known from the MSZ. Work on one of these anomalies suggests it may be a metamorphosed volcanic hosted style of mineralisation.

Copper deposits that are structurally controlled breccia veins and pipes of post Karoo age are known from the Messina area, in the eastern part of the Central Zone of the LMZ in South Africa. The origin of these is thought to be related to Karoo age mafic intrusive rocks. The total ore resources in a cluster of related deposits was reported to be in excess of 40 million tonnes.

5 Exploration and Mineralisation in the Tati Schist Belt Area

Exploration in the Archaean age Tati Schist Belt in the southwestern part of the Zimbabwe Craton ranges back to about 100 years ago when copper prospects were mined by the Great Zimbwean empire. Gold prospecting has been extensive and in the past led to development of numerous small mines such as Map-Nora, Thekwane, and Jims Luck.

Recent Exploration in the last 20 years led to the discovery of significant gold deposits at Signal Hill, Map Nora and Golden Eagle, however it was not until the previously unknown BIF hosted Mupane deposits were found that a modern mine could be established. The Mupane mine commenced production in 2004 and consists of a series of reserves and resources, now totalling 13.4 million tonnes at 3.1 gAu/t for a contained gold resource of 1.3 million ounces. This resource is contained in 7 deposits, all within approximately 20 kilometres of the Mupane Mine treatment plant.

Major nickel-copper-PGE resources have also been found adjacent to the Tati Schist Belt and supported operations at the Selkirk and Tati mines.

5.1 Jims Luck Prospect

The Jims Luck Prospect in PL18/2004 is located adjacent to the Ramokgwebana River, which is the Zimbabwe-Botswana border, about 42 km southeast of Francistown in northeast Botswana and 18 km from the Mupane Mine operated by Gallery Gold Limited. The tenement was farmed out to Gallery with Cardia Mining Botswana retaining a 20% contributory interest.

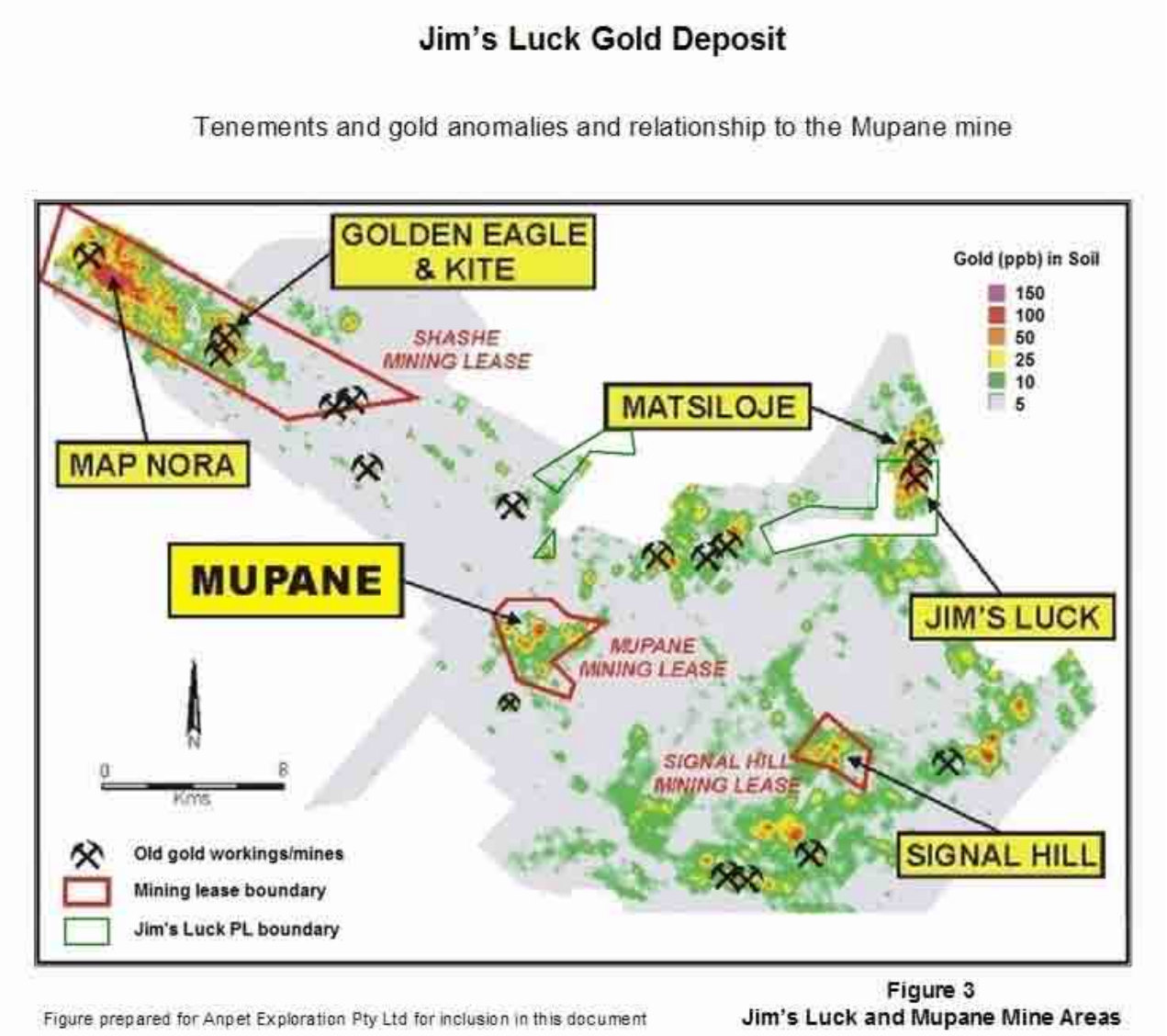


Figure 3
Jim's Luck and Mupane Mine Areas

The Jims Luck Prospect is hosted by one of two parallel BIF horizons, one being a prominent ridge of less deformed, specularite hematite bearing oxide facies BIF and the second being far less prominent, more cherty and deformed and stockworked with quartz carbonate veins and veinlets. This unit is gossanous in places especially where it is complexly folded and heavily veined. The cherty BIF contains thin lenses only of oxide facies BIF.

Exploration by Gallery has included 49 drill holes, which have returned encouraging results, and Gallery consider that open pit potential is present. The three main mineralised zones (Jim's Luck South, Central and North) are separated by gaps where there is no drilling or where drilling, trenching and grid geological mapping has shown that there are Karoo dolerite dykes truncating the mineralisation. The three mineralised zones comprise a combined strike length of 300 metres and an average width of some 5.00 metres, at an average grade of 3.0 g Au/t, and drill results indicate that the enriched shoots in the mineralised zones have a steep plunge to the NNW.

Additional drilling of the project was completed in the fourth quarter of 2005, as the close proximity to the Mupane Mine makes this deposit attractive as a source of feed for the mill.

The table below includes some of the more significant intersections found so far.

JIM'SLUCK DRILLING RESULTS: JMC 01 – JMC49				
Hole No	**From (m)**	**To (m)**	**Interval (m)**	**Grade g/t Gold**
JIMC 01	70	73	3	2.43
JIMC 02	58	67	9	5.13
JIMC 03	34	44	10	7.82
including	37	40	3	13.7
	51	59	8	3.79
JIMC 06	76	80	4	2.63

including	76	79	3	3.38
JIMC 10	48	57	9	0.73
including	48	53	5	1.17
JIMC 11	24	33	9	2.40
including	24	27	3	5.94
JIMC 17	99	107	8	0.92
including	99	102	3	1.42
JIMC 21	25	34	9	4.02
	62	68	6	2.25
JIMC 23	52	57	5	4.27
JIMC 24	52	60	8	5.40
JIMC 29	31	34	3	2.96
	40	41	1	1.69
JIMC 30	20	37	17	0.92
	44	46	2	3.54
	48	49	1	1.58
JIMC 31	17	24	7	3.04
	27	33	6	3.57
	50	52	2	1.12
JIMC 32	30	33	3	2.54
JIMC 34	31	37	6	1.74
JIMC 37	0	1	1	3.27
	10	15	5	3.95
	23	24	1	2.21
	28	29	1	2.40
JIMC 38	37	39	2	1.48
	42	44	2	2.13
JIMC 40	32	35	3	1.83
JIMC 41	28	36	8	3.92
including	32	33	1	14.15
	48	73	25	0.63
including	61	63	2	1.77
and	65	69	4	1.73
	75	85	10	0.77
including	82	83	1	2.72
JIMC 42	31	34	3	1.20
including	32	33	1	2.58
and	39	50	11	0.40
JIMC 43	34	36	2	0.67
including	34	35	1	1.17
JIMC 44	31	33	2	0.49
JIMC 45	22	24	2	0.71
including	22	23	1	1.05
JIMC 47	32	35	3	1.96
including	43	46	3	0.56
JIMC 48	87	106	19	1.25
	92	99	7	2.13
	101	102	1	5.94
	107	116	9	0.67
	113	114.	1	1.21
	117	123	6	2.51
	121	122	1	8.53
JIMC 49	60	65	5	4.25
	61	64	3	6.14

Table 2 Significant Results from Drilling Programs on Jims Luck

Other intersections with lower width and grades are also present in this well mineralised prospect.

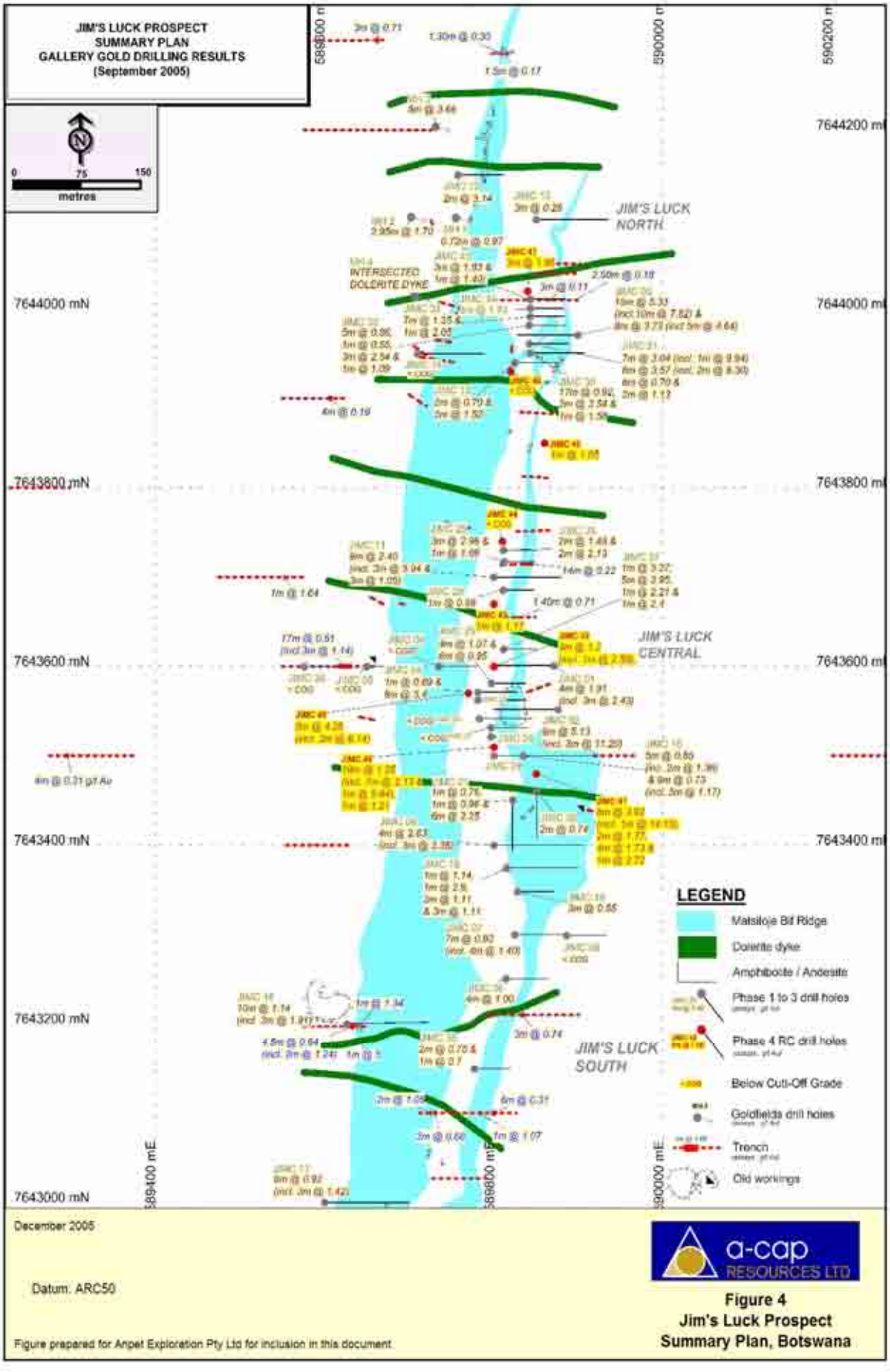
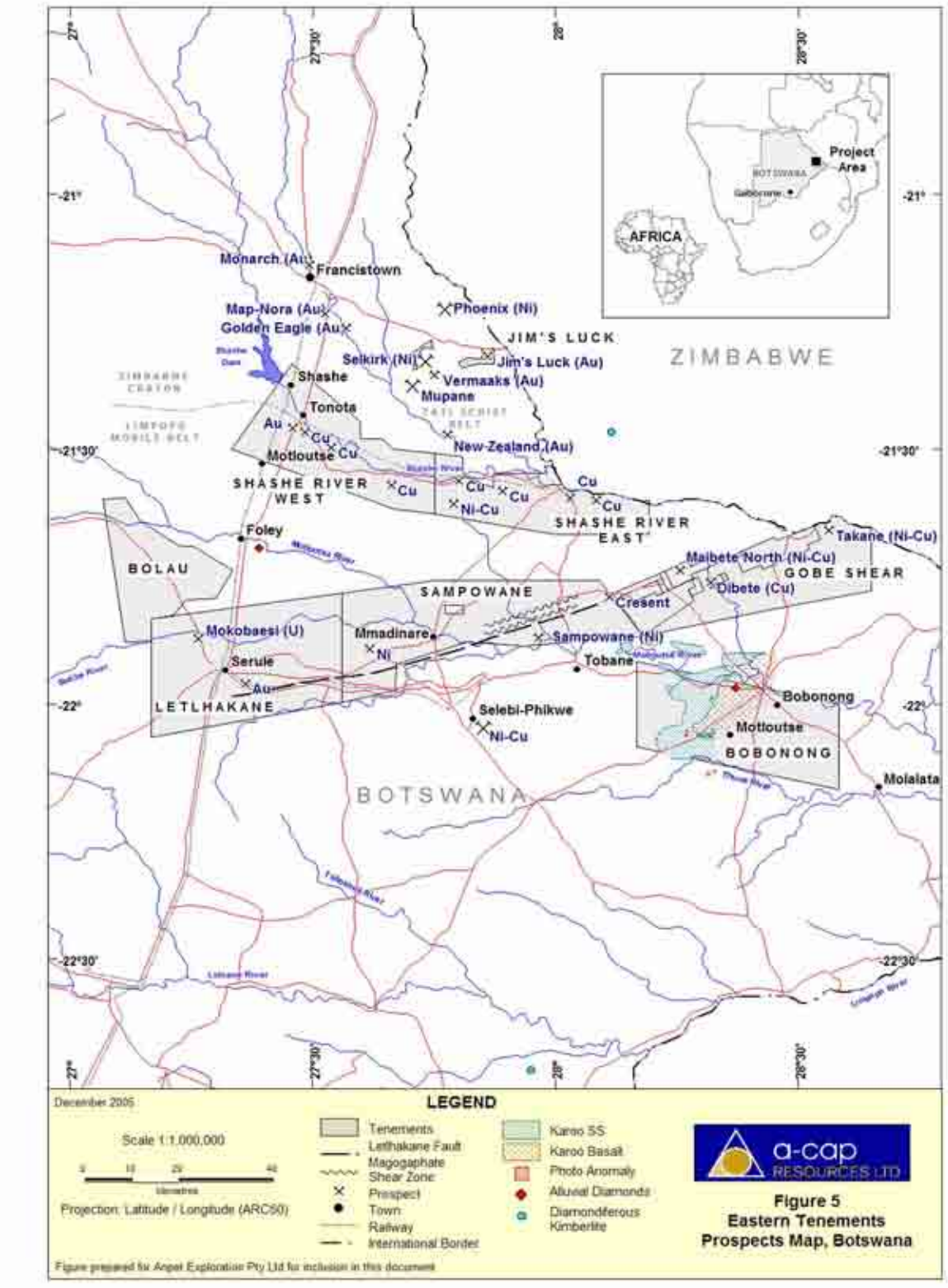


Figure 4
Jim's Luck Prospect
Summary Plan, Botswana

6 Exploration and Mineralisation in the Magogaphate Shear Zone Tenements

6.1 Gold and Base Metals

Targets initially generated in the area were copper prospects that were mined by the Great Zimbwean empire up to 1,000 years ago. Many small workings are scattered through the tenements and surrounding areas. Most of these targets, which include Maibele North, Kalula North, Dibete and Airstrip Copper have been explored within the past 50 years.



In 1933, the Victoria Prospecting Company carried out detailed close spaced north-south oriented mapping and prospecting traverses and found numerous occurrence of pannable gold mineralisation, as well as indications of copper mineralisation. This was the first indication of analytically coarse gold in the area.

Roan Selection Trust Exploration (RSTE) conducted regional exploration in the area commencing in the very late 1950's and into the 1960's. This led to the identification of a number of prospects, and which culminated in the discovery of the nickel-copper deposits at Selebi Phikwe. The discovery of these deposits drew attention away from other deposits and anomalies in the region. Exploration activity during the 1970's was mostly to the west of Selebi Phikwe.

Exploration activity in the area was largely dormant through the 1980's, with exploration recommencing in 1987 when Mineral Holding Botswana (MHB) took up the tenements surrounding the Magogaphate gold prospect and the Maibele North nickel prospect. Following a regional drainage survey that found all recorded prospects and identified some new areas of interest and extensions to known prospects the potential for a significant resource at Maibele North was recognised. Following the airborne magnetics and Geotem EM surveys flown for the Botswana Government as part of an aid program, joint venture offers from several companies were received by MHB. A joint venture was entered into with Falconbridge Explorations Botswana (FEB) who were specifically interested in the nickel potential of prospects like Maibele North.

Falconbridge carried out extensive grid based exploration programs on the various interpreted Geotem anomalies and found a number of substantial nickel-copper anomalies and zinc-lead anomalies. Several of these nickel prospects were drill tested to some degree and MHB tested one of the zinc-lead targets and found volcanic hosted exhalative base metal mineralisation. The prospect had no economic significance but did show that there was another very important target type to be explored for in the MSZ.

Falconbridge withdrew from their JV with MHB in the mid 1990's when they were cutting back on African exploration.

Cardia Technologies Limited acquired substantial amounts of regional geophysical and Landsat data in the late 1990,s which resulted primarily in identification of the known prospects. Interpretation of regional radiometrics flown by Cardia Technologies Ltd, together with Landsat imagery has been used to produce a detailed geological interpretation map superior to the previously mapping.

Little useful geochemical data interpretation was carried out, and no new targets were identified as major prospects. Progress was hampered due to minimal integration and compilation of previous or current geological, geochemical and geophysical data. Interpretation and compilation of the Geological Survey, Clutha and Cardia Technologies Ltd geological and geochemical data in 2002-3 has resulted in a substantial upgrading of some of the previous exploration targets.

6.1.1 Maibele North Deposit

The Maibele North nickel-copper deposit in PL110/94 has been the main priority of the Company during late 2004 and 2005. The deposit is marked by ancient workings, mainly located on the hangingwall contact of the southward dipping serpentinized ultramafic body. The deposit was investigated by the Bechuanaland Geological Survey (later Botswana Geological Survey) in the mid 1950's as a potential copper deposit. Three shallow small diameter diamond drill holes were drilled and these quickly identified the deposit as a predominantly nickel deposit. RSTE conducted work at Maibele North in the early 1960's, sinking three shallow shafts, with one cross cut being developed into the ultramafic, and drilling of three diamond drill holes. Work at Maibele North was terminated, however, as work focussed on the development of the world class nickel copper deposits of Selebi Phikwe which opened in 1972 and are still in production

Maibele North was one of the highly ranked targets in Mineral Holdings Botswana early exploration in the Magogaphate Shear Zone under PL64/87, which was however initially primarily focussed on gold exploration.

Maibele North became the highest priority target for Falconbridge's nickel exploration following release of the regional airborne Geotem EM and magnetic surveys conducted on behalf of the Botswana Government by CGG of France as part of an aid program. Initial interpretation ranked Maibele North as a second priority target, but this was later upgraded to first priority target, presumably due to the known occurrence of ancient workings and nickel-copper sulphide mineralisation.

Falconbridge conducted geological mapping, geochemical soil sampling, trenching ground magnetic and HLEM geophysical surveying. A total of 16 diamond drill holes were completed between 1991 and 1995, with down-hole pulse EM surveys conducted on each hole, prior to Falconbridge withdrawing from the joint venture in 1995.

Grades of up to 3.1% nickel have been recorded, with maximum Au+PGE values of 2.5 g/t. Every Falconbridge borehole, except MAI-92-19, intersected significant sulphide mineralisation. Sulphide

mineralisation is comprised of pyrrhotite, pentlandite, chalcopyrite, with interpretation of thin section studies conducted in the 1950's suggesting that the sulphides post-date the pyroxenes in the ultramafic body. Mineralisation is concentrated at or near the footwall contact of the Main Ultramafic, either within the ultramafic or in the adjoining country rocks.

Drilling has demonstrated the presence of sulphide mineralisation over a strike length of 800 metres, and approximately 1200 metres down plunge, with every hole except one intersecting the Main Ultramafic body.

The furthest east hole drilled (MAI-92-16, Section 6200E) intersected 0.72% Ni over 2.60 metres estimated true width hosted in country rock adjacent to a stronger off hole conductor below this intersection. This would be predictable from the computer modelling of the deposit, which shows this borehole passed just above the plunging ultramafic body. It would appear that larger masses of sulphide mineralisation occur in this area associated with the ultramafic body.

The table below shows the more significant intersections found in drilling since 1990 on the deposit.

The maximum depth of intersections of sulphides drilled to date is 190 metres vertical depth with both the sulphides and ultramafic open at depth.

SIGNIFICANT DRILL INTERSECTIONS MAIBELE NORTH 1991-1995

Section	Hole	From	To	Ni %	Cu %	PGE + Au g/t	Drilled Thickness (m)	True Thickness estimated	Approx. Vertical Depth
5450	9	63.90	64.94	0.56	0.11	0.20	1.04	0.94	
5550	8	71.10	71.60	2.10	0.15	0.33	0.50	0.45	60
5600	12	111.00	113.54	0.53	0.21	0.40	2.54	2.30	95
5600	22	190.82	191.20	2.04	0.47	N/a	0.38	0.38	155
5625	7	97.03	101.86	1.90	0.72	1.43	4.83	4.83	80
and	7	109.15	113.07	2.30	0.57	2.43	3.92	3.92	90
5650	11	158.97	159.71	2.48	0.41	0.16	0.74	0.37	130
5650	14	94.00	95.71	1.07	0.33	0.96	1.71	1.55	85
and	14	111.33	117.56	2.07	0.57	2.58	6.23	3.12	110
5650	20	217.05	217.15	0.44	0.38	N/a	0.10	0.09	185
5700	10	72.56	73.65	0.58	0.23	0.30	1.09	0.99	70
5750	13	131.89	134.85	0.77	0.14	0.40	2.96	2.67	120
5750	21	225.30	225.43	3.10	0.17	N/a	0.13	0.12	190
5850	17	141.70	142.00	0.62	0.10	N/a	0.30	0.27	120
6000	15	136.87	147.16	0.54	0.21	0.26	10.29	9.33	115
including		140.11	141.40	1.22	0.53	0.56	1.29	1.17	120
and		145.30	147.16	1.26	0.36	0.36	1.86	1.69	125
6100	18	200.10	200.66	0.54	0.09	N/a	0.56	0.51	165
6200	16	184.13	187.00	0.72	0.29	0.25	2.87	2.60	155
5600	23	94.14	95.42	*	*	*	1.28	*	*

* results not yet received

Table 3 Significant Results from Drilling Programs on Maibele North

Maibele North Nickel Deposit

Plan view of nickel soil anomalies, EM conductors, ultramafic
and location of recent drill holes

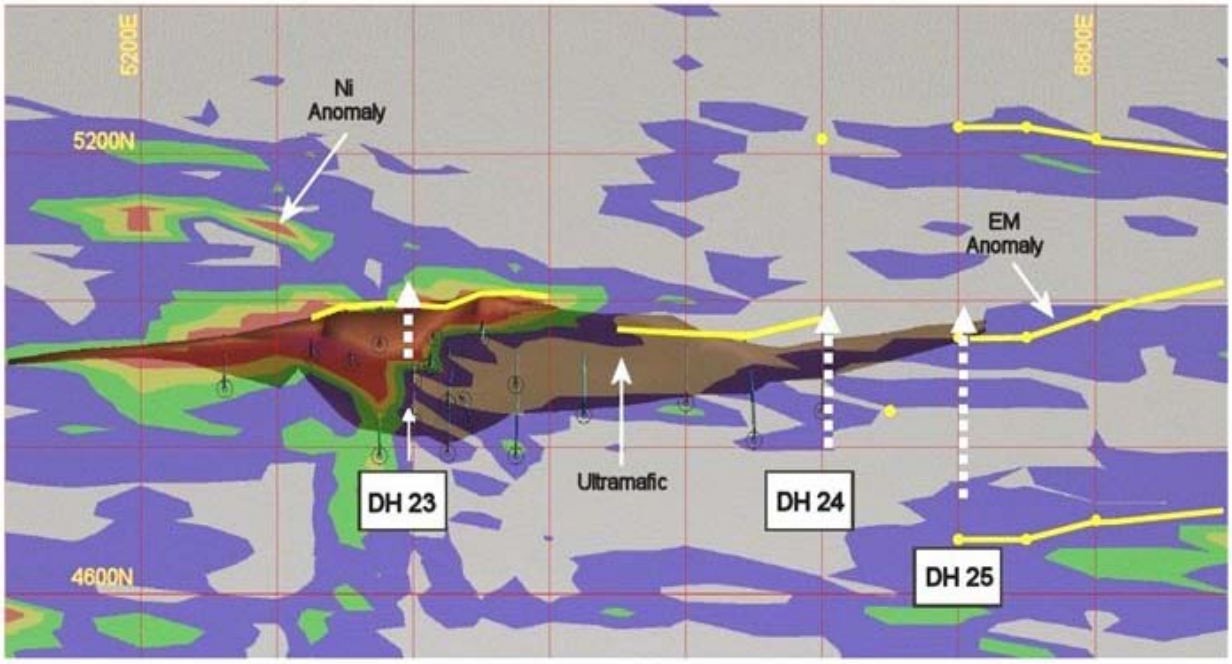


Figure prepared for Anpet Exploration Pty Ltd for inclusion in this document

Figure 6
Maibele North Geological Plan

Photograph 3: photograph of drill cores from drill hole MAI-05_23 showing 1.28 metres of massive sulphides from 94.14 m to 95.42 m downhole

Maibele North Nickel Deposit

View west along main ultramafic showing nickel intersections on footwall
Nickel values - Red > 1%, Pink < 1%

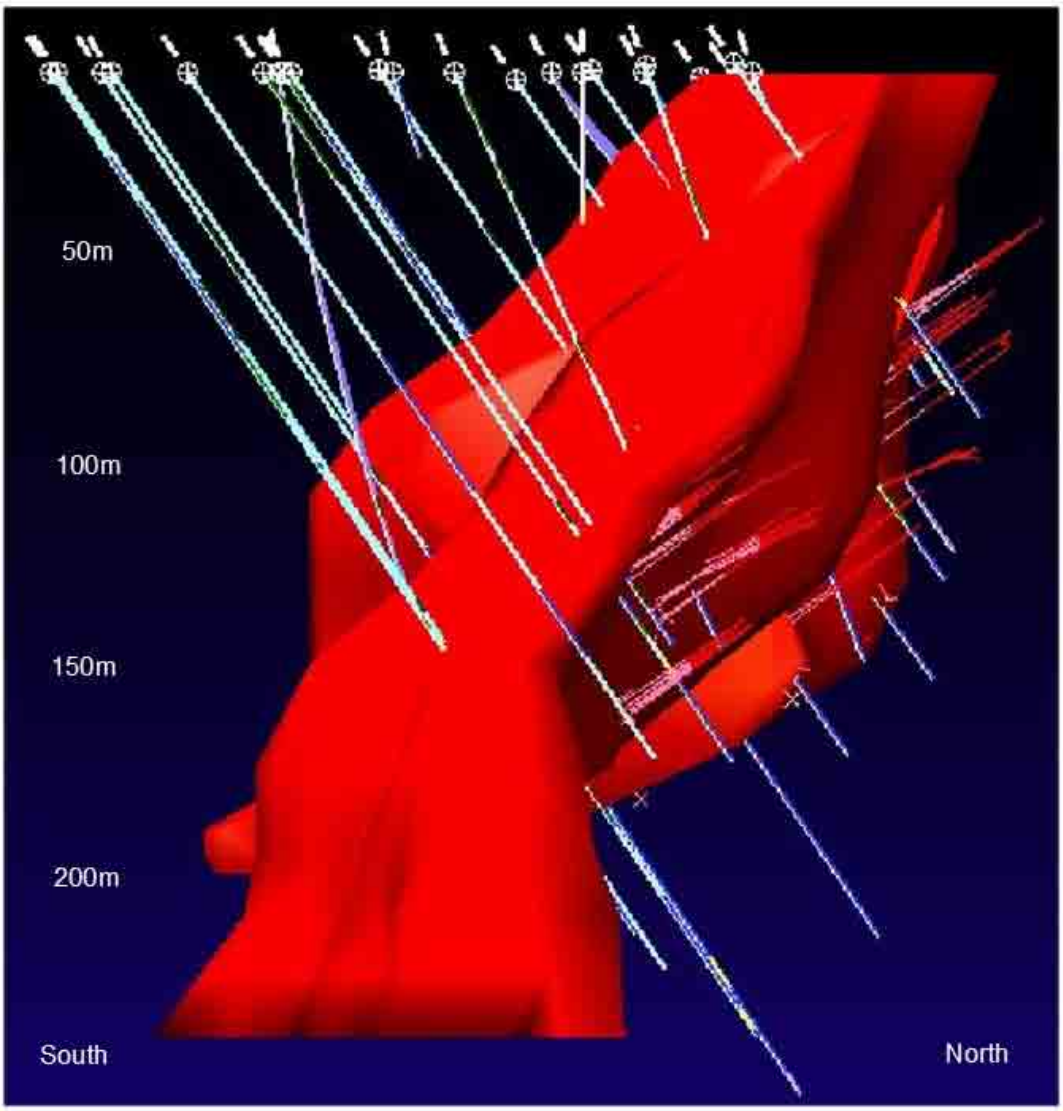


Figure prepared for Anpet Exploration Pty Ltd for inclusion in this document

Figure 7
Maibele North Cross Section

Maibele North Nickel Deposit

View south-west along main ultramafic showing nickel intersections on footwall
Nickel values - Red > 1%, Pink < 1%

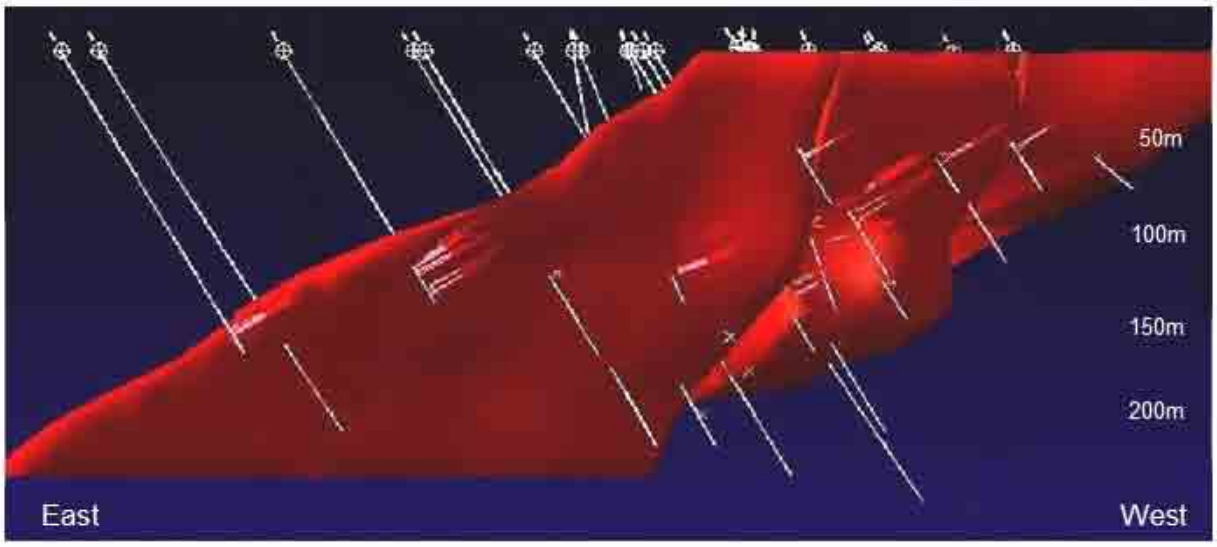


Figure prepared for Anpet Exploration Pty Ltd for inclusion in this document

Figure 8
Maibele North Oblique Long Section

Maibele North Nickel Deposit

View north at main ultramafic showing drill holes and targets
Nickel values - Red > 1%, Pink < 1%

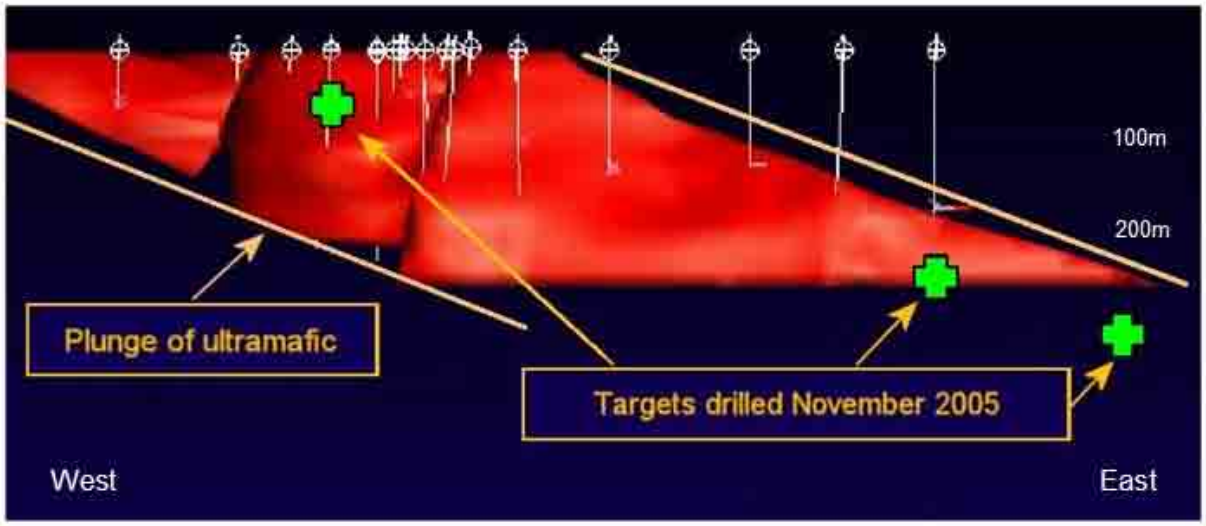


Figure prepared for Anpet Exploration Pty Ltd for inclusion in this document

Figure 9
Maibele North Drilled Targets 2005

Computer modelling of the available data has resulted in an interpretation which significantly modifies previous interpretations. The role of faulting is now considered to be relatively minor and continuity of the main ultramafic demonstrated over its entire strike length. It is clear that the ultramafic plunges to the east at around 20 degrees, and dips to the south at around 50 degrees.

A second, thin, “Lower Ultramafic” unit has been recognised both from soil sampling and geophysical data, and in the core of the holes drilled by Falconbridge. This Lower Ultramafic had not been recognised by Falconbridge, and carries very low grade disseminated sulphides in one of the four cored intersections, which has not been sampled yet. Drilled strike extent of this unit is 350 metres due to lack of intersections in the

target area, and its economic significance is uncertain at this stage. This unit may be either a separate parallel intrusion, or a limb of the Main Ultramafic repeated by folding. This latter interpretation would be significant for possible sulphide concentrations in fold closures as predicted by a structural consultant to Falconbridge.

Interpretation of soil and new magnetic data suggests there may be an additional ultramafic body in the hanging-wall, which has not been tested by drilling at all.

Ground EM (HLEM) surveys carried out by Falconbridge indicate conductors which are along strike from the known Main and Lower ultramafic bodies and continue to the very edge of the Falconbridge grid which is 600 metres east of the last drill intersection. It is probable that the conductors extend beyond the end of the FEB grid and a weak Geotem anomaly extends a further 4 kilometres along strike to the east. This is very encouraging as the regional drainage survey carried out by Clutha/MHB in 1989 indicated a major extension of the nickel mineralisation to the east with a minimum total strike length to the Maibele North prospect of 4.5 km. The drainage sample contained anomalous nickel, palladium, gold and copper.
Recent field work has involved the re-establishment of the Falconbridge grid, and extending it along strike both to the west, and particularly the east. Soil sampling has been conducted at both ends of the grid, with some close spaced ground magnetic surveying carried out to assess the continuity of the ultramafic bodies.

A number of drill targets have been generated by A-Cap to test continuity of high grade mineralisation, and the down plunge extent of the ultramafic and sulphide mineralisation. One hole, MAI-05-23, designed to test continuity of high grade mineralisation has intersected 1.28 metres of massive sulphides close to the expected target depth and additional stringers of sulphide. Analytical results will not be available for at least two months. A second hole, MAI-05-24, intersected thin sulphide stringers while the third hole, MAI-05-25, is thought by the consultant to A-Cap to have passed over the top of, or hit a gap in, the host ultramafic and no sulphides were intersected. Continuity of the EM anomalies, surface geochemical anomalies and magnetic anomalies indicates continuity of the mineralised ultramafic body east of the hole

Cardia Mining Botswana has not generated a resource estimate at this stage, due to uncertainties relating to the continuity of the mineralised body. The stratigraphic position of the majority of the mineralised body is now well understood, continuity of the ultramafic host is demonstrated but the effects of remobilisation of massive sulphides is not yet sufficiently well understood, particularly with the occurrence of significant nickel intersections away from the ultramafic host rock and the effects of parasitic folding on massive sulphide remobilisation.

6.1.2 Mmamanaka Gold and Nickel Prospect

Pannable gold was recorded in this area by the Victoria Prospecting Company in the 1930's. A high order BLEG (bulk leach extractable gold) gold anomaly was found by Clutha and anomalous gold was also found by Cardia Technologies Ltd. The series of anomalous stream sediment responses around the area of the Victoria Prospecting Company anomaly near Mmamanaka Hill indicate a gold mineralised zone coincident in part with interpreted major Landsat structural features. This feature is the Magogaphate South shear that is coincident with extensive anomalies in PL 54/98 and continues through PL 47/2004 and through the Mmamanaka area.

Banded iron formation has been recorded in the area, but initial rock chip sampling shows no anomalous response.

The Mmamanaka Prospect in PL111/1994 is also a high ranked base metal anomaly, giving a 12 channel Geotem EM anomaly which was ranked as a top priority target in the Geotem survey. It is associated with an ultramafic unit, with significant extensions present along strike to both the southwest and northeast. Falconbridge conducted limited work in the late 1980's and early 1990's, discovering small ancient workings and trenching a thick serpentinized ultramafic. However it has recently been discovered that the grid was located too far south to fully evaluate the 12 channel Geotem EM anomaly, which is now known to occur on the northern edge of the FEB grid. The Geotem anomaly is coincident with anomalous soil nickel, copper and cobalt values and is nagain a highly ranked nickel prospect.

Recent work has consisted of re-establishing the Falconbridge grid and extending it both to the north and along strike to the east. Soil sampling has been conducted to check previous Falconbridge soil sampling data, and to extend coverage and analyse for gold and PGE's. Limited magnetic surveying has been conducted to assess continuity of the ultramafic bodies.

6.1.3 Makhantlele Gold Prospect

This area in PL54/98 was recognized by Cardia Technologies Ltd stream sediment sampling work, but was only recognised as a major anomalous area in the 2003 re-interpretation of results.

The strike length of the gold anomalous zone is now thought to be some eight kilometres, possibly with a number of sub-parallel horizons. The anomalies are partially co-incident with the Magogaphate South Splay fault as previously interpreted from Landsat imagery by Cardia Technologies Ltd. Potential is thought to be present for Renco style mineralisation similar to that found at Magogaphate. This anomaly comprises a large part of the greater Motloojwane Synform area, which appears to extend for some 11 kms along strike and some 3 kms width within the Tuli Sabi Shear Zone.

Stream sediment sampling was conducted in 2003 to better define the anomalies. This work suggested that the anomalies spread to the south, outside of the existing tenement (PL54/98), and led to the application for new Prospecting Licence PL47/2004 Gobe Shear. However, initial sampling in this new area has suggested that mineralisation is in fact predominantly concentrated in the PL 54/98 tenement.

Reconnaissance scale soil sampling has been carried out by the company over a two kilometre strike length to cover the area that gave the highest order drainage gold anomalies. A series of gold anomalies have been recovered which are parallel to regional structure, this is considered to support the proposed model for structurally controlled gold deposits to be present.

The Makhantlele prospect area has significant potential for major metal accumulations due to the apparently very large scale of the mineralising systems giving rise to the identified gold and zinc-lead anomalies.

6.1.4 Magogaphate Gold Prospect

In 1933 the Victoria Prospecting Company located the Magogaphate gold prospect in their detailed mapping and prospecting traverses. Their work indicated a strike length of pannable gold anomalies of approximately 5 kms, with further anomalies along strike to both the northeast and southwest.

Work carried out on the Magogaphate gold prospect and reported in Mines Department records in 1955, show that gold was found associated with quartz veins in a sheared and silicified zone some 30 – 170 metres wide and about 1,250 metres long. The grade of the quartz veins was estimated at 3g Au/t.

Mineral Holdings Botswana (MHB) took out a Prospecting Licence to cover the Magogaphate gold occurrence and the Maibele North nickel occurrence prior to a regional airborne Geotem EM and magnetic survey conducted over the area in 1989 as part of an aid programme for the Government of Botswana. MHB subsequently took out the current tenement, PL 110/94.

Work carried out by Clutha Ltd for MHB in 1988 included reconnaissance soil sampling and limited trench sampling of quartz veins. Results from one narrow vein approximately 100mm wide averaged 38.5g Au/t, with a spread of values indicating the presence of coarse gold.

A series of weak EM conductors that may be continuation of the extensive Geotem 20B anomaly were initially tested with 4 lines of soil sampling and followed up with a further 27 lines of soil sampling. The individual conductors lie within a strongly faulted conductive zone sub-parallel to regional structural strike.

Anomalous cyanide extractable gold was found to be present over the entire 2,500 metres of strike length that had been sampled. This resulted in the identification of the extensive John Bentham (JB) group of partially co-incident gold copper, molybdenum, and silver anomalies. The anomalies remain open to the east, southeast and west. The anomalous gold zones are broad, with individual anomalous zones of up to 250 metres width. The anomalies fall within a broad zone estimated to be some 500 metres wide.

Evaluation of the geochemical data from each soil sample shows it is probable that there have been multiple episodes of mineralisation occurring, with differing elemental associations.

Drilling of nine reverse circulation (RC) percussion drill holes was undertaken in 2003 on the peak of the JB South anomaly over a 400 metre strike length. Holes were drilled at an inclination of 60 degrees towards grid north, and ranged from 42 to 49 metres long. The holes were designed to test the steeply south dipping to vertical quartz veins exposed in trenches. These holes tested both above and below the limit of pervasive oxidation, and were drilled perpendicular to the regional structural dip (believed to be S1).

The drill holes all intersected silicified acid gneisses, thought to have been granitic gneisses prior to silicification. Some mylonitic textures and brecciation was seen in cuttings, but was uncommon. Development of minor pyrite, arsenopyrite and pyrrhotite, principally on foliation, together with both secondary biotite and/or "white mica" was widespread. Garnet was present in some zones within the holes. A superimposed oxidising alteration was present in the eastern half of the strike length tested, where reddening of the quartz due to haematite staining was noted.

Hole-to-hole correlation of the reddened quartz zones show that they are sub-parallel to the dip of the regional structure.

Evaluation of the geology of the drilled JB South anomaly shows that all the holes tested the target sheared and silicified zone, known to host mineralisation from previous work. However, logging of the drill cuttings suggest that the mineralisation may be predominantly located in the silicified granitic gnesises rather than in the quartz veins.

Drill holes were sampled on a 1 metre interval, with sample preparation conducted at a facility in Francistown, Botswana. Sample pulps were analysed by Genalysis Laboratory Services in Perth.

Results were disappointing with very few 1 metre samples greater than 1 gAu/t.

The eastern end of the JB South anomaly which has multi-element anomalies remaining open to the east and is approximately 1,800 metres from the Airstrip Copper deposit which may be a more prospective part of the JB anomalies.

6.1.5 Kalula North Prospect

The Kalula North anomaly in PL110/1994 was first located as a copper prospect by miners thought to be from the Great Zimbabwe Empire about 1000 years ago. Ancient pits with copper stained waste rock are present in the area. Work by Roan Selection Trust in the 1960's resulted in drilling of two diamond drill holes immediately west of the Cardia Technologies Ltd soil sample lines. Clutha Minerals Ltd previously referred to this prospect as the KE Prospect.

The Victoria Prospecting Company may also have located this prospect in the 1930's as they show a 2.5km long gold anomaly in this vicinity.

Modern exploration by MHB, Clutha and the MHB-Cardia JV has consisted of stream sediment sampling followed by four stages of soil sampling, two recently by the MHB- Cardia JV. Four soil sample lines were initially sampled to test the northern extensions of the MHB/Clutha soil anomalies and the highly anomalous Cardia Technologies Ltd stream sediment samples #347 and #348. Results from these stream sediment samples were multi-elemental, with As, Bi, Co, Mo, Sb and Au being anomalous in both samples, and Mn, W and Pb anomalous in #347. The anomalous gold pathfinder suite drains off a Geotem EM conductor and two shear zones that were expected to host structurally controlled Au-Cu mineralisation. Ancient workings and more recent (but historical) exploration trenches are located close to the geophysical targets.

As no significant As or Bi were located in the initial soil samples it was inferred that there are other areas of mineralisation responsible for the stream sediment anomalies, rather than the area sampled by these four soil sample lines. A follow up program of a further nine lines of soil sampling was completed. This resulted in defining one, and possibly a total of three, parallel anomalous gold zones.

Results showed a close spatial association of anomalous copper and gold results but do not suggest a substantial amount of mineralisation associated with the EM conductor. There does not appear to be any significant mineralisation associated with the fault interpreted from the regional geophysical survey. The broader zones of gold and copper mineralisation indicated by the samples on the north-western part of the soil grid are significant as the anomalous zone here is some 375 metres wide, and would suggest a much larger mineralised system here than that associated with the ancient workings and RSTE exploration drill holes K1 and K2.

Evaluation of the geochemical data from the soil samples, indicate it is probable that there have been multiple episodes of mineralisation, with differing elemental associations.

Results of the soil sampling, which was carried out over a 1150 by 500 metre grid area are that a gold anomaly 1250 metres long, open to the south west and northeast, has been located. There is no indication that the anomaly is weakening in either direction. The anomaly appears to be resolvable into three parallel zones of mineralisation that vary up to a maximum of 150 metres wide and have individual peak value widths of up to 100 metres but usually 25-50 metres.

It appears that the soil gold results from Kalula North are around two orders of magnitude lower than for Magogaphate, which is only some 2 kms distant. This difference may be due to the thin veneer of sand cover over Kalula, whereas Magogaphate is more eroded and has extensive gravel lags at surface.

Partially coincident copper, molybdenum anomalies are also present. The copper forms only very low order anomalies despite the presence of subcropping copper carbonate mineralisation with up to 2% malachite (approx 1% Cu) at the old workings. Width of the principal partially coincident copper and molybdenum anomalies is up to 300 metres and appears to be a series of parallel structurally or lithologically controlled zones.

Drilling of six reverse circulation (RC) percussion holes was completed in 2003 to test the principal anomaly. All holes intersected alteration thought to be associated with mineralisation. This alteration comprised silicification, white mica, probable development of secondary garnet and occasional coarse biotite. Drill cuttings showed brecciation of host rocks, secondary biotite and calcite. Zones of sulphides, predominantly pyrite, were found in most holes, with intersections of up to 8 metres, at up to 3% sulphide.

Boreholes were drilled at an inclination of –60 degrees towards grid north, drilling perpendicular to the regional structural dip (believed to be S1). The holes were drilled to depths ranging from 44 to 55 metres, testing both above and below the limit of pervasive oxidation.

Drill holes were sampled over 1 metre intervals, with sample preparation conducted at a facility in Francistown, Botswana. Sample pulps were analysed by Genalysis Laboratory Services in Perth, Australia.

Results were disappointing with very few one metre samples grading in excess of 1 g Au/t.

Despite the disappointing results potential may still be present along strike from the area tested. Combined gold and copper anomalies with higher values than the drilled anomalies would be targeted for additional trenching and drilling.

6.1.6 Airstrip Copper Prospect

This prospect in PL110/94 was identified by RSTE in the early 1960's, when they started constructing an airstrip at the site, and cuts across the west end of the Maibele North nickel deposit grid. It lies approximately 1,800 metres along strike to the east from the Magogaphate (John Bentham South anomaly) prospect. The Airstrip copper deposit has had no work conducted on it since the early 1960's. RSTE did a substantial amount of exploration work, including around 90 shallow wagon drill holes (air percussion) several diamond drill hole, and shallow workings. Most of the drilling appears to have been oriented at an acute angle to the northwest striking prospect and would not have given the prospect an effective test.

The prospect consists, at least in part, of a structurally controlled breccia, hosting copper mineralisation, and it appears to extend for at least 1,000m along strike. Falconbridge reported a number of assay values of up to 3.9% Cu from near surface wagon drill holes drilled by RSTE. However, no details of intersection widths, barren holes or type of mineralisation intersected have yet been found.

Recent work by A-Cap has consisted of trenching over a strike distance of 650 metres with 50 metre spaced trenches over 300 metres Visible copper carbonates were present over a distance of 150 metres with a maximum width of 16 metres in one trench, however no analytical results are available at present.

6.1.7 Dibete Copper-Gold Prospect

The Dibete prospect in PL111/94 is a 12 channel Geotem EM anomaly (one of five such first priority ranked targets) and has ancient workings, with substantial tailings present at the site. Recent exploration by Falconbridge included grid soil geochemistry, geophysics and trenching. The target was left "drill ready" but not highly ranked by Falconbridge. Drilling was not undertaken.

Cardia Technologies Ltd conducted drainage sampling in the area, and has substantially increased the potential target size for a gold target associated with the copper mineralisation already known. A gold anomaly had previously been found by Falconbridge, but needed additional data from Cardia Technologies Ltd to give it significant extent. No recent work has been conducted in this area due to lower ranking until recently.

This prospect now constitutes a significant drilling target.

6.1.8 Sekgopye Nickel Prospect

This prospect in PL14/2003 is another of the five “first priority” Geotem EM and magnetic targets. Falconbridge established a grid and carried out soil sampling, mapping, and trenching. A borehole was sited targeting the EM anomaly, but was abandoned at 45 metres, short of the target depth, as the hole was noted to be drilling “down dip”.

The MHB/ Cardia Technologies Ltd JV carried out additional field mapping, and drilled the EM anomaly from the opposite direction to Falconbridge. A 75 metre long inclined reverse circulation (RC) percussion hole was drilled to intersect the EM target at the depth recommended by Falconbridge’s geophysicist.

The target zone was intersected at the expected depth, with disseminated sulphides present in the fine grained siliceous host rocks, associated with siliceous granite gneisses. Ultramafic rocks found at surface were intersected in the upper 20 metres of the hole.

The drill hole was sampled over 1 metre intervals, with the samples prepared at a facility in Francistown, Botswana. The sample pulps were analysed by Genalysis Laboratory Services in Perth, Australia. Results were disappointing, with no significant elevated values for nickel or other metals.

The cause of the anomaly has not been fully explained and further work to determine the depth of the anomaly with higher resolution ground EM surveys is warranted. If the EM anomaly is located at greater depth than the target initially interpreted it may still be a viable drilling target for nickel mineralisation associated with the ultramafics at surface.

6.1.9 Crescent Zinc-Lead Prospect

Potential for zinc-lead mineralisation in the tenements had previously been recognised at the 20B anomaly (4–5 kilometres east and south of Crescent) by Clutha/MHB, and the volcanogenic hosted exhalative sulphide environment recognised. The Crescent prospect is a combined geophysical, geochemical and geological anomaly, which was ranked as one of the five top priority Geotem EM/magnetic anomalies (anomaly 19B).

Falconbridge carried out grid soil sampling, mapping, ground magnetics and HLEM in PL111/94, however, work was terminated when it became clear that the anomaly was a lead-zinc prospect rather than nickel-copper, which was Falconbridge’s target.

Cardia Technologies Ltd’s consultant geophysicist identified the airborne anomaly as indicating the probable presence of massive sulphides and the conductor was clearly identified as being related to Zn-Pb rather than Ni-Cu.

Two vertical reverse circulation boreholes were drilled to intersect the EM anomaly, down dip of the gossan exposed in trenches dug by Falconbridge.

Wide intersections of disseminated sulphides were found in both holes, with some zones containing up to 15% sulphides. Some of the sulphides showed substantial continuity in drill cuttings and would have been “geophysically massive”. This mineralisation was considered adequate to explain the EM anomaly tested.

Drill sampling was conducted over 1 metre intervals, with sample preparation conducted in Francistown, Botswana. Sample pulps were analysed by Genalysis Laboratory Services in Perth.

Results from this prospect were disappointing with a maximum one metre intersection of only 1% Pb + Zn. The importance of the results is however that the potential for stratabound massive lead-zinc mineralisation has now been demonstrated twice in the region and upgrades the potential of some of the other prospects in PL 54/98.

6.1.10 Mmatsiane, Jumbo and Makhantlele Zinc-Lead Prospects

Zinc-lead targets in PL54/98 are present at Geotem anomalies 21B Mmatsiane, 21D Jumbo and 21E Makhantlele, which are separated by about 6 kilometres along the Moltoojwane Synform. The prospects are thought to represent a similar style of mineralisation as at 20B and Crescent but are associated with a much wider outcrop of siliceous rocks that are visible on Landsat imagery. A Landsat image marker horizon (previously referred to as the “yellow marker”) has yet to be fully evaluated for its stratigraphic, structural, and possible economic significance. It is thought to be a siliceous horizon and may be the quartzite mapped by FEB at these Geotem anomalies. A similar siliceous horizon is present at 20B and is closely associated with

the base metal sulphide bearing horizon. Potential may exist in this “yellow marker” for stratabound gold mineralisation associated with the base metal sulphides.

Falconbridge cut grids on all prospects and carried out soil sampling and mapping. Ground EM surveys were carried out on the three prospects which located strong to moderate conductors on these grids, which also gave copper- zinc and copper-zinc-lead anomalies, coincident in part with the conductors. Nickel anomalies present are thought to have little significance for nickel mineralisation.

Limited trenching was carried out on Mmatsiane prospect and all prospects were severely downgraded by Falconbridge when they recognised the copper-zinc-lead potential and the limited possibilities that nickel would be present.

These prospects will be further evaluated by a full compilation of data, location of the prospects on the ground and drilling on the best coincident geological, geophysical and geochemical targets.

7 Recently Granted Tenements

7.1 Gold, Nickel and Copper

Several new exploration tenements in the Limpopo Mobile Zone, the Shashe Mobile Zone, the edge of the Zimbabwe Craton and further west in areas dominated by Mesozoic cover sequences over the LMZ – Shashe Mobile Zone were granted to Cardia Mining (Botswana) in 2004.

Two of these tenements (PL44/2004 Shashe River East and 48/2004 Shashe River West) cover a series of copper occurrences and one gold occurrence. These occur in a curvilinear belt adjacent to, but south of, the mapped northern boundary of the Northern Marginal Zone (NMZ) of the LMZ-Shashe Belt, where it meets the Zimbabwean Craton. Structural control of these mineral occurrences is suspected. The boundary of the NMZ, where mapped in detail on the Zimbabwean side of the border, is a series of thrust faults. The Renco mine is associated with one of these structures and lies approximately 5 kms south of the Zimbabwean Craton. The copper occurrences may be the only readily detectable mineralisation to prospectors at these occurrences if the gold is micron sized, as is the majority of the gold at the Renco deposit. These tenements are therefore considered highly prospective for both gold and copper deposits when modern geochemical and geophysical exploration techniques are applied.

Two new tenements extend from the western limits of PL111/94 and PL14/2003 and cover the mapped extent of the Magogaphate Shear Zone and Letlhakane Fault to the west.

Tenement PL45/2004 Letlhakane contains a recorded gold prospect near Serule village and close to the mapped location of the Letlhakane Fault. Potential is thought to be present for Renco style mineralisation here.

7.1.1 Regional Drainage Surveys

Regional stream sediment sampling surveys are being used to assess the new tenements rapidly and cost effectively. A sample for base metals is taken at each site together with a larger size sample for cyanide extractable metals analysis, including gold and platinum. Anomalies recovered in recent surveys are shown on Figure 10 below.

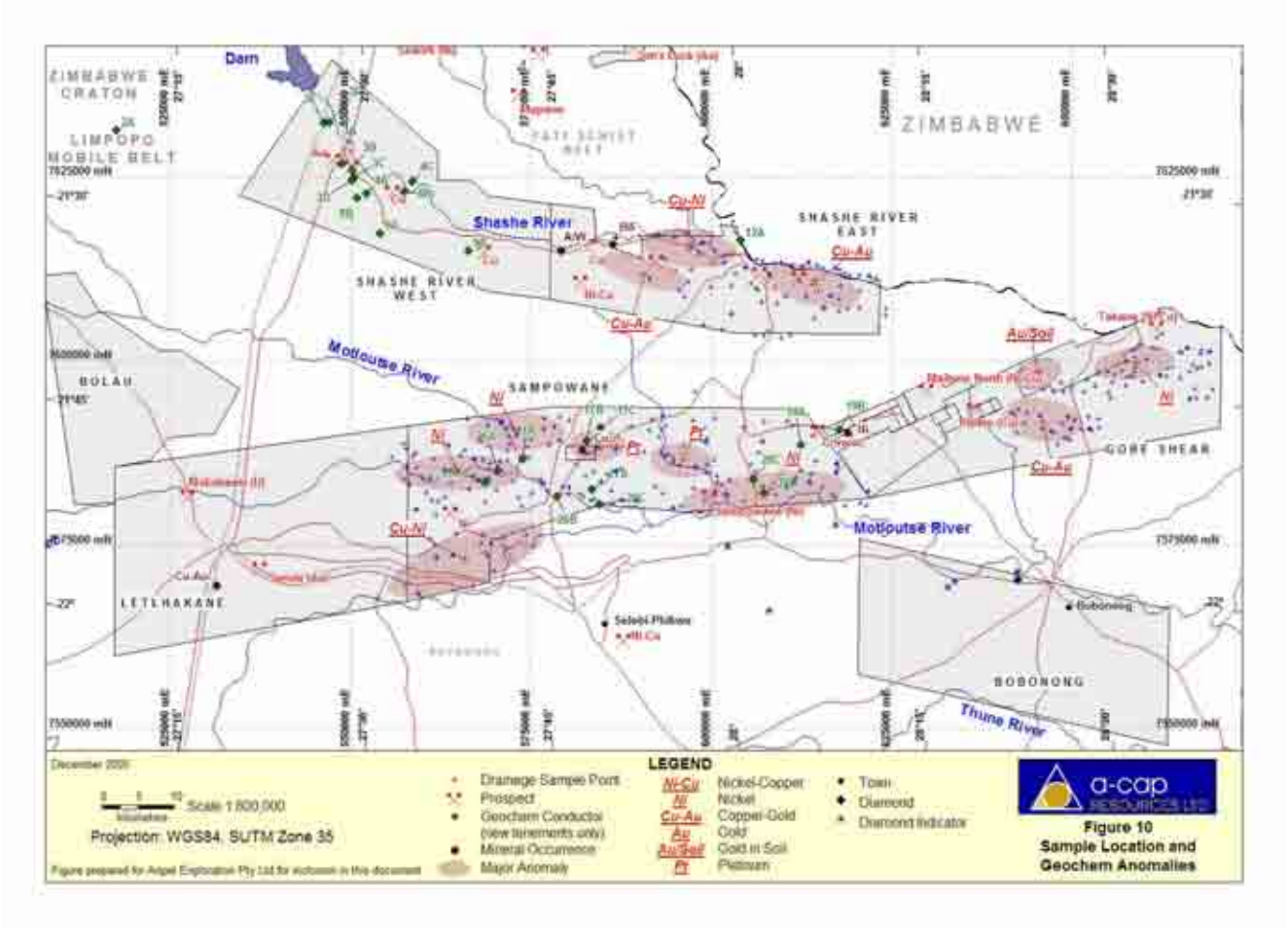


Figure 10
Sample Location and Geochem Anomalies

7.1.1.1 Sampowane tenement

Analytical data has recently been received with some sampling gaps still present in the data set. The results in parts of the tenement for gold, copper and nickel are very encouraging. Gold anomalies associated with nickel and copper anomalies with a high nickel:copper ratio are considered to indicate mineralised ultramafics.

High order multi element anomalies extending west from the known good grade mineralisation at Sampowane prospect suggest that the known mineralisation, which had a moderate multi element anomaly, continues for at least five kilometres west and may continue for up to 10 kilometres west. Further high order geochemical anomalies to the east are coincident with a Geotem anomaly and are likely to represent a strike extension of the Sampowane prospect to the east

A further mineralised ultramafic is indicated by the regional geochemical results with high order multi element anomalies in the west associated with Geotem anomalies and in the north west of the tenement which may also be related to a Geotem anomaly.

Some of the results are derived from an area north of the known nickel prospect west of Mmadinare that is not associated with a known Geotem anomaly. These geochemical anomalies may indicate a fold or fault repetition of known mineralisation. Fold repetitions of the mafic-ultramafic units are mapped in a number of places in the Magogaphate Shear Zone.

Two areas of platinum anomalies not associated with high nickel values suggest a second style of platinum occurrence, associated with some copper and minor gold, is present. One of the platinum anomalies is associated with a Geotem anomaly.

A gold-copper anomalous area may represent Renco style gold mineralisation.

7.1.1.2 Letlhakane tenement

A minimal amount of sampling has been carried out on the far eastern boundary of the tenement adjacent to the Sampowane tenement. Sample results have not been received except for two samples. Moderate to high order multi element anomalies indicate the presence of a mineralised ultramafic continuing west from the Sampowane tenement.

Anomalous copper and nickel in the southeast of the tenement suggest extension of the very high order copper anomalies into this tenement from the Sampowane tenement.

The Letlhakane Fault is a major structure that appears to be a westerly extension of the Magogaphate Shear Zone and which may be prospective for Renco style gold deposits. A gold occurrence is known associated spatially with the fault near Serule in the western part of the tenement.

Completion of the regional drainage sampling is required.

7.1.1.3 Shashe East tenement

Approximately two thirds of the tenement has been sampled with all results received. Little or no coverage is present around two copper and one nickel copper occurrence shown on regional geological maps and around one Geotem anomaly. The four known copper occurrences lie in close proximity to the boundary between the Limpopo mobile belt and the Zimbabwe craton.

High order multi element anomalies in the central north of the tenement suggest the presence of an extensive mineralised ultramafic and a further small mineralised ultramafic is suspected to be present about five kilometres from the eastern border of the tenement.

High order gold-copper anomalies appear to drain one known copper working. The highest order gold came from a drainage sample approximately two kilometres east of the old copper working in the direction of regional structural strike. A high order copper anomaly is associated with a second known copper prospect. These may represent Renco style gold mineralisation.

Some isolated high order gold anomalies were also recovered and require follow up.

7.1.1.4 Shashe West tenement

No regional drainage surveying has been carried out so far.

Three copper occurrences and one gold occurrence lie in close proximity to the boundary between the Limpopo mobile belt and the Zimbabwe craton. The copper and gold occurrences lie close to or are coincident with Geotem anomalies

This target zone is a high priority and will be covered by regional drainage sampling in the near future.

7.1.1.5 Gobe Shear tenement

Approximately half of the tenement has been sampled and all results received.
Results of interest include a single high order gold anomaly adjacent to two samples anomalous in copper, a cluster of copper anomalies on the margin of the sampled area that requires completion of coverage and a single high order copper and nickel anomaly five kilometres to the south west of the Takane nickel prospect. Areas of high geological priority remain to be sampled, including extensive mafic-ultramafic units.

Geotem results for this area have not been compiled by A-Cap at present.

7.1.2 Sampowane Nickel Prospect

The Sampowane nickel prospect in PL46/2004, which was drilled by Falconbridge, is located approximately 16 km from the Selibi-Phikwe Mine and could be an additional source of material for treatment at the Selibi-Phikwe Mine treatment plant.

The mineralisation is present in a 150-200 metre wide unit of basic gneiss, where at least 3 massive sulphide bodies are present. Massive sulphides have been remobilised into pressure shadows following extensional shear. Falconbridge had a structural consultant carry out detailed mapping, which resulted in findings of further untested gossans and extensions of the gossans tested in hole SAM 92-02.

The table below gives details of the nickel intersections and the down hole EM surveys.

Hole No	From m	To m	Ni %	Cu %	PGE + Au g/t	Geophysics
SAM-92-01	80.24	80.70	0.37	0.06	0.34	In hole edge conductor >100 m extent along strike and down dip from 80 metres
SAM-92-02	80.00	82.80	0.98	0.33	2.12	In hole conductor >100 m extent to the east from 80 metres
SAM-92-03	103.01	103.29	1.44	0.02	0.08	In hole conductor with large extent at 103 metres and probable off hole conductor at 60 metres
SAM-92-04	50.24	50.31	1.08	0.06	1.0	Well defined response at 50 metres

Table 4 Results From Drilling Program on Sampowane

Potential for significant grade massive sulphide mineralisation is present, with significant PGE + Au. The thin intersections found so far may be the narrow stringers on sheared out lenses of massive sulphides that have migrated into structurally favourable locations. Exploration for pressure shadow areas is required to find substantial bodies of mineralisation. Additional structural mapping and detailed geochemical sampling will assist in further definition of targets together with ground EM surveys.

Strike potential has been highlighted by the results of the recent drainage survey indicating major extensions to both the east and west of the mineralized zone.

7.2 Uranium

Uranium exploration was widespread in Botswana in the late 1960's and through the 1970's, and was undertaken principally by Bamangwato Concessions Limited (BCL), Falconbridge, Shell and Union Carbide. Exploration was undertaken for hard rock sources as well as calcrete hosted and sandstone hosted deposits. Techniques used included airborne scintillometer surveys at regional line spacings and closer spaced surveys, prospect scale track etch cup surveys, pitting programs and drilling. The prospects found are both calcrete hosted and sandstone hosted styles of mineralisation. Due to the substantial downturn in uranium prices in 1972 there was a significant reduction in interest in uranium exploration by BCL with interest reviving a little in the mid to later 1970's.

7.2.1 Mokobaesi Uranium Prospect

PL45/2004, Letlhakane, also includes the Mokobaesi uranium deposit which was first identified by BCL in the late 1960's and early 1970's and further investigated by Falconbridge in the late 1970's. The Mokobaesi prospect area includes a cluster of seven radiometric anomalies. The main Mokobaesi deposit is calcrete hosted and is covered by around a metre of soil cover. It has been defined over an area of around 1200m by 950m, on the northern bank of a small ephemeral river.

The Mokobaesi deposit is located just north of the village of Serule, and is within 10 kilometres of the main north-south sealed highway, railway line, power line and water pipeline.

The Mokobaesi deposit was discovered as a result of airborne surveys by Bamangwato Concessions Limited (BCL) during the period 1969-1972 and Falconbridge Explorations (Botswana) (Pty) Ltd (FEB) carried out in 1976. Pitting, drilling, Alpha cup (track etch) radon surveys, shallow seismic and resistivity surveys, multi element soil surveys and ground spectrometry, chemical and spectrometer analyses for uranium were subsequently carried out.

The area of the Mokobaesi deposit lies within a cross shaped series of alpha cup anomalies with continuity over approximately 13 km N-S and 10 km E-W, with widths generally in the 1-2 km width range. These alpha cup anomalies lie within a series of airborne anomalies many of which were not included in the regional scale alpha cup survey which was closed up to 200m by 200m in the Mokobaesi No 1 deposit area.

After surrender of the tenement by FEB, 75 kg of mineralisation was tested by Power Reactor and Nuclear Fuel Development Corporation (PNC) of Japan. A satisfactory alkali leaching procedure was determined with 90% U recovery and recommendations made on how a larger test should be conducted. Additional geological work carried out by PNC in the area indicated that the Karoo age sediments in the region are the primary

source of uranium mineralisation and confirmed that the surficial uranium bearing calcretes are secondary deposits derived from the underlying sediments, which may host sandstone type deposits.

Work on the Mokobaesi No 1 prospect has shown that there is a thin uranium bearing calcrete deposit present, with up to one metre of overburden, overlying a basinal structure in the Karoo age sediments that is mineralised with low grade uranium over a wide area. Thin outcropping oxide ironstones were found to be moderately to strongly radioactive and may possibly be related to sandstone hosted uranium deposits in the Karoo age sediments.

BCL excavated 22 sample pits at 300 metre centres and drilled 9 percussion boreholes and one diamond drill borehole in the same area as that subsequently worked by FEB and made a non JORC compliant inferred resource estimate of 1,750,000 tonnes at 0.069% U_3O_8. BCL has not consented to the inclusion of these statements in this prospectus as the statements were not intended for inclusion in any disclosure document but have been accessed from previous geological reports lodged on open file register with the Mines Department in Botswana under the Mines and Minerals Act 1999. It is the author's opinion that the disclosure of this information and the attribution of this statement to BCL is required to satisfy disclosure content requirements under the Corporations Act 2001 given that other estimates of mineralisation have been determined by other parties and differentiation between those parties is necessary. It is also necessary to make the attribution to enable Applicants to review the information by regard to the reputation of the entities making those estimates.

It must be noted that the above estimate by BCL is not a resource within the meaning of the JORC Code and was calculated before the JORC Code came into effect (and in a jurisdiction in which the JORC Code does not apply) and is an estimate of potential quantity of mineralisation and grade with insufficient exploration to define any mineral resource within the meaning of the JORC Code having been carried out. No certainty exists that further exploration will result in the determination of a mineral resource and this figure should not be interpreted as such.

The majority of work carried out by BCL and FEB was in an area identified by the airborne surveys and subsequently tested by soil geochemistry, Alpha cup surveys, seismic and resistivity, pitting and drilling. Percussion drilling on two traverses 1800 metres long N-S and 1900 metres E-W was predominantly to between 25 and 37 metres depth, with a diamond drill hole to approximately 100 metres depth. On the basis of the shallow pitting over the largest alpha cup/airborne/soil geochemical anomaly FEB calculated their estimates of the amount of calcrete hosted mineralisation, which we would not consider to be a JORC compliant estimate, by two different methods with different results. FEB excavated a total of 101 sample pits, and conducted some 399 assays. FEB estimated a non JORC compliant resource of 1,683,000 tonnes at 0.0315 % U_3O_8 at a block cut-off of 0.02% U_3O_8. A total of 43 blocks were used (200 x 100, 150 X 100 and 100 x 100 metres), and a density 2.0 was applied. Likewise, FEB has not consented to the inclusion of these statements in this prospectus as the statements were not intended for inclusion in any disclosure document but have likewise been accessed from previous geological reports lodged on open file register with the Mines Department in Botswana under the Mines and Minerals Act 1999. It is the author's opinion that the disclosure of this information and the attribution of this statement to FEB is required to satisfy disclosure content requirements under the Corporations Act 2001 for the same reasons as attribution is appropriate to BCL.

Again, it must be noted that the above estimate by FEB is not a resource within the meaning of the JORC Code and was calculated before the JORC Code came into effect (and in a jurisdiction in which the JORC Code does not apply) and is an estimate of potential quantity of mineralisation and grade with insufficient exploration to define any mineral resource within the meaning of the JORC Code having been carried out. No certainty exists that further exploration will result in the determination of a mineral resource and this figure should not be interpreted as such.

The spacing of pits used by both BCL and FEB was <u>not</u> adequate to provide a high level of confidence in the continuity or grade of the thin calcrete hosted mineralisation at or near the surface and needs to be increased significantly to allow a JORC compliant resource estimate to be made. Notwithstanding that the estimates prepared by BCL and FEB differ markedly, it is clear that there is a substantial body of low grade uranium mineralisation present in the calcrete host, however it is also clear that <u>significant</u> uncertainty on both tonnage and grade exists.

The underlying Karoo sediments were also estimated by FEB to contain a volume of 30 million cubic metres of mineralised material over an area of approximately 1000 x 1200 metres and 25 metres thickness, or approximately 75 million tonnes. The volume was based on drill sections and isopachs of the more mineralised mudstone, silty mudstone and fine grained sandstone. Grade range of 0.015-0.035% U_3O_8 was estimated from spectrometer surveys carried out on drill chips that had been calibrated to XRF analyses of the drill chips. Again, FEB has not consented to the inclusion of these statements in this prospectus as the statements were not intended for inclusion in any disclosure document but have again been accessed from previous geological reports lodged on open file register with the Mines Department in Botswana under the Mines and Minerals Act 1999. It is the author's opinion that the disclosure of this information and the attribution of this statement to

FEB is required to satisfy disclosure content requirements under the Corporations Act 2001 given other estimates of mineralisation have been determined by other parties and differentiation between those parties is necessary. It is also necessary to make the attribution to enable Applicants to review the information by regard to the entities making such estimates.

Again, it must be noted that the above estimate is not a resource within the meaning of the JORC Code and was calculated before the JORC Code came into effect (and in a jurisdiction in which the JORC Code does not apply) and is an estimate of potential quantity of mineralisation and grade with insufficient exploration to define any mineral resource within the meaning of the JORC Code having been carried out. No certainty exists that further exploration will result in the determination of a mineral resource and this figure should not be interpreted as such. The estimate of mineralisation appears to have been intended by FEB to indicate exploration potential of the area. Reasonable continuity of the mineralisation can be inferred for the Karoo sediment hosted mineralisation however the analytical method is such that a grade cannot currently be determined. Sandstone type deposits were considered to be a possibility in the Karoo sediments but drilling density was not adequate to explore for these possible deposits.

Sandstone hosted uranium deposits occur in continental lake or river deposited or marginal marine sandstones. Impermeable shale or mudstone units are interbedded in the sedimentary sequence and often occur immediately above and below the mineralised sandstone. Uranium precipitated under reducing conditions caused by reducing agents within the sandstone such as carbonaceous material. Sandstone deposits constitute about 18% of world uranium resources and deposits of this type are commonly low to medium grade (0.05 - 0.4% U_3O_8). The majority of the uranium deposits in western United States are of this kind and numerous occurrences of sandstone hosted uranium mineralisation are known in Karoo age sediments in South Africa.

7.2.2 Additional Uranium Areas

Cardia Mining Botswana has recently had granted five new Prospecting Licences for uranium. These PL's include areas where uranium mineralisation has previously been identified by exploration in the 1960's and 1970's. Recorded mineralisation has included torbernite, carnotite and gypsiferous uraniferous calcrete. Analyses indicate the presence of uranium but these have not been shown to be part of broad scale mineralisation yet.

7.3 Diamonds

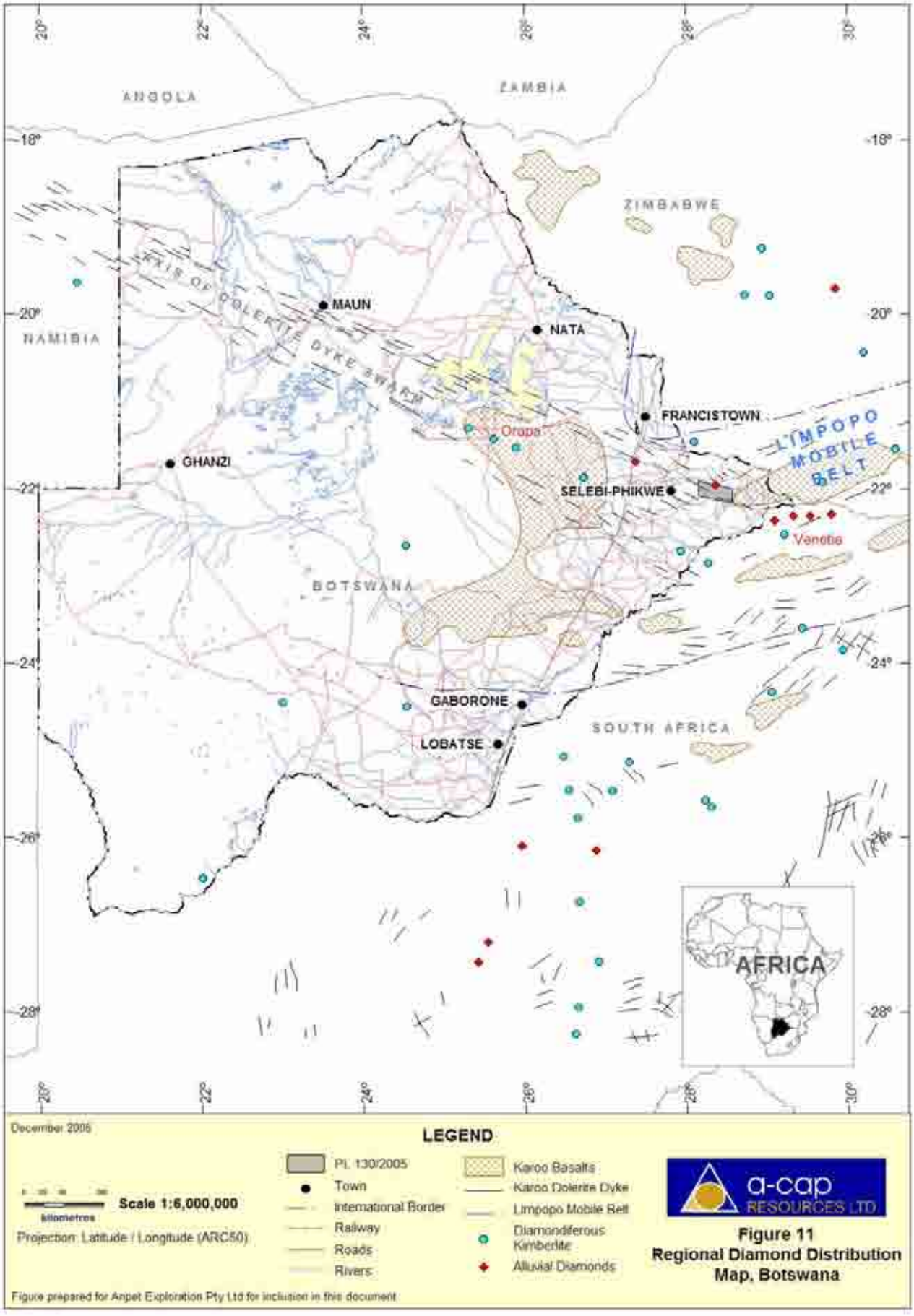
Botswana is one of the worlds leading producers of diamonds and revenue from the Governments equity in the diamond mines is the mainstay of the country's economy. Large areas of central and western Botswana, mainly under Kalahari sand cover, are repeatedly being intensively explored for diamonds.

Despite diamonds having been known from the Limpopo Mobile Zone for about 100 years it has not been as intensively explored due to the perception of lower potential until relatively recent times and partly the difficulty in identifying small magnetic anomalies in a complex mafic intrusive and extrusive rich geological terrain.

Exploration may also have missed kimberlites in the past due to low abundances of typical indicator minerals shedding from kimberlites in the Limpopo Mobile Zone, as was the case at Venetia.

Better models for indicator mineral characterization now in use can allow far more effective exploration to be carried out.

Figure 11 below sets out regional diamond distribution in Botswana and the location of PL130/2005 which is the Bobonong application referred to herein. The location of PL130/2005 is more specifically shown in Figure 10 above.


ANGOLA
ZAMBIA
ZIMBABWE
NAMIBIA
BOTSWANA
SOUTH AFRICA
MAUN
NATA
FRANCISTOWN
GHANZI
SELEBI-PHIKWE
GABORONE
LOBATSE
Orapa
Venetia
LIMPOPO MOBILE BELT
AXIS OF DOLERITE DYKE SWARM
AFRICA
20°
22°
24°
26°
28°
30°
18°
20°
22°
24°
26°
28°
December 2006
Scale 1:6,000,000
kilometres
Projection: Latitude / Longitude (ARC50)
LEGEND
PL 130/2005
Town
International Border
Railway
Roads
Rivers
Karoo Basalts
Karoo Dolerite Dyke
Limpopo Mobile Belt
Diamondiferous Kimberlite
Alluvial Diamonds
a-cap RESOURCES LTD
Figure 11
Regional Diamond Distribution Map, Botswana
Figure prepared for Anpet Exploration Pty Ltd for inclusion in this document

It has only been in the last 40 years that significant discoveries have been made in the Limpopo Mobile Zone, that include the major producer at Venetia, found in 1980, relatively close to the Magogaphate area (130 km) but within South Africa.

7.3.1 Bobonong Diamond Prospect

Cardia Mining Botswana has been granted a single diamond tenement, located where a 0.25 carat diamond, associated spatially with indicator minerals, was recovered. The area lies to the south of the Motloutse River between Tobane and Bobonong.

Three small diamonds were found near Foley about 70 km upstream of Bobonong on the Motloutse River in 1959 but were not associated with pyrope garnets or other indicator minerals.

The Bobonong-Tobane area was held under title by Michaelides and Partner in the late 1970's, and pyrope garnets were recovered. The source could not be found and is thought to be calcreted gravels in the headwaters of the Madikulube River, about 20km to the east of the Dikopang River catchment. The amount of detailed follow up work in the Madikulube River suggests that more garnets were found there than in the Dikopang River. Some bulk sampling was also carried out by Michaelides and Partner and a 0.25 carat diamond recovered together with indicator minerals from gravels that are probably relatively recent high level terraces of the Motloutse River. The diamond may have been derived from the inferred kimberlite in the proposed exploration area.

The sparse angular coarse pyrope garnets and picro ilmenites found near Bobonong in the gravels of the Motloutse River and several small creeks are therefore of relatively local origin and could not have come from the Foley area or further west in the Orapa region.

Regional sampling by De Beers in the area to the north recovered picro ilmenites that were not analysed but may have been derived from the Drakensberg Lavas.

Sampling by MHB/Cardia Technologies Ltd JV in the Dikopang River recovered some locally derived unusual, "probably kimberlitic", and locally anomalous types of chromite that support the previous pyrope anomaly. Partially preserved original surface textures on the chromites indicate a low level of wear estimated at up to 12 kilometres of travel. Figure 10 shows the location of indicator minerals within this tenement.

Substantial areas of poor drainage exist on which Michaelides interpreted some subcircular features that were never followed up and sampled.

It can be interpreted from the previous exploration data and the MHB/Cardia Technologies Ltd JV results that there is a kimberlite dyke or dyke swarm in the area that extends in an east-west direction, possibly parallel with the NW trending Karoo dolerite dyke swarm that contains the Orapa pipe. This dyke may well have associated pipes that could be of significant economic interest. The dykes themselves could also be of economic interest if sufficiently high values/tonne can be demonstrated.

The proposed program would consist of evaluation of the GEOTEM EM and magnetics by a consultant geophysicist to look for possible pipe like or dyke features. This program would be supplemented by a detailed photo interpretation of the proposed tenement to look for the broad range of features that could be the expressions of kimberlites.

Follow up would include the use of garnet, chromite and ilmenite chemistry to evaluate diamond potential of sources to the heavy mineral anomalies and trace element geochemistry to evaluate any photo features or geophysical anomalies in conjunction with heavy mineral sampling. Positive anomalies would be followed up with trenching and drilling, bulk sampling and evaluation of diamond grade distribution.

The tenement is concluded to be prospective both for a kimberlite or similar host intrusive rock, and for placer deposits, smiliar to areas adjoining the Vaal River in the Barkly West area in South Africa. Cardia Mining Botswana also has access to modern laboratory facilities for diamond indicator mineral identification including interpretation of atypical indicator suites.

8 Future Exploration Programs

Proposed exploration at Maibele North will include further ground and down hole geophysics on the recently completed holes prior to further drilling. The three holes completed were designed to test the continuity of high grade sulphides already intersected, and the strike extension of the ultramafic and sulphides down plunge to the east. The program was successful in recovery of sulphide intersections in the first two holes with the host

ultramafic missed in the third hole This is thought to be a small fault and following down hole geophysics, additional holes are planned for Maibele North to further extend the known mineralisation.

The Mmamanaka deposit is prospective for both gold and nickel-copper mineralisation. The prospect generated the highest order gold anomaly in the western group of tenements when sampled in 1989 regional drainage sampling program and includes one of only five 12-channel Geotem EM anomalies generated in the 1989 airborne survey. Ground checking has shown that the previous exploration grid did not fully evaluate the Geotem anomaly and the FEB grid is now being extended to cover the prospective areas. Drill targets will be delineated as a result of the surface geochemical sampling and ground EM surveys.

The Motloojwane Fold region incorporates Geotem anomalies 21B, 21D and 21E and the Makhantlele gold anomaly, which are all high priority targets. This area is 11 kilometres along strike and 3 kilometres wide. Exploration proposed will include detailed follow up soil sampling over a wide area in order to better define the known gold – multi-element anomalies and compilation and re-assessment of the grid based geology, geophysics and geochemistry carried out by Falconbridge to define drill targets on the lead-zinc anomalies.

Magogaphate gold prospect work will consist of sampling the extent of the open John Bentham South multi-element anomaly towards the east, which is towards the intersection with the Airstrip copper prospect. High order gold or combined gold and copper anomalies will be trenched and sampled in preparation for drilling

The Airstrip Copper prospect has significant strike length, and good secondary copper grades have been reported. Initial work conducted in the early 1960's by RSTE found breccia hosted copper mineralisation, with a NW-SE strike extent of around 750 metres and possibly up to 1,000m. Proposed exploration will consist of evaluation of recent trench results and development of drill targets. The gold and copper potential of this structural zone will also be evaluated by soil and additional trench sampling followed by drilling.

Dibete Copper Prospect is drill ready and will be drilled after additional work upgrades other prospects to drilling status.

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Kalula North requires some additional reconnaissance soil lines to attempt to locate higher order geochemical targets along strike from the previously drilled open ended gold anomalies for further trenching and drilling.

Evaluation of the prospects in recently granted tenements will continue, to assess potential for Renco style gold mineralisation and extensions to known nickel prospects and recently recovered nickel anomalies and platinum anomalies by a combination of drainage and soil sampling. Further work will be dependent on results and ranking of each prospect and is expected to result in a series of drill targets.

At the Sampowane nickel prospect additional structural mapping, surface EM surveys and detailed geochemical sampling will be used to delineate massive sulphide lenses in favourable structural positions for drill testing.

Potential for near surface uranium mineralisation is significant with one partially defined deposit (Mokobaesi) occurring within one of the company's granted tenements. The proposed exploration program at Mokobaesi will consist of recovery of previous sample pit sites, shallow drilling and excavation of additional pits and estimation of a resource.

Exploration on the other uranium prospect areas will consist of full review and ranking of the prospects followed by radiometric surveys and pitting on surficial deposits and also drilling on the highest ranked prospects.

Exploration on the diamond prospect will consist of drainage and loam sampling on streams and photo anomalies followed by a program of microprobe work on the garnets and spinels to determine their relationship to diamond facies source material. Some limited bulk sampling is also planned on the palaeochannel deposits that appear to be a significant secondary source of garnets.

Future work would be dependent on results of the work outlined above and is expected to result in location of kimberlites that will require bulk sampling to determine grade.

Table 5 Tenements Programs Summary

Tenement (PL)	Prospects	Regional sampling	Prosect based surface map & sample	Geophysics	Interpret Data	Drilling
18/2004	Jims Luck	Done	In progress	Not planned	Ongoing	Planned
110/94	Maibele N	Done	Additional soils planned	Additional planned	Ongoing	Planned
110/94	Magogaphate Gold	Done	Additional soils planned	Not planned	Ongoing	Subject to results
110/94	Kalula North	Done	Additional soils planned	Not planned	Not planned	Subject to results
110/94	Airstrip Copper	Done	Additional soils planned	Not planned	Not planned	Subject to results
111/94	Dibete	Done	Done	Done	Planned	Planned
111/94	Crescent	Done	Done	Done		Done
54/98	Makhantlele Au	In progress	Recce completed, additional sampling planned	Not planned	Not planned	Subject to results
54/98	Mmatsiane	Done	Done	Done	Planned	Planned
54/98	Jumbo	Done	Done	Done	Planned	Planned
54/98	Makhantlele Zn-Pb	Done	Done	Done	Planned	Planned
14/2003	Sekgopye	Done	Done	Done	Planned	Subject to results
46/2004	Sampowane	Done	Planned	Additional not planned	Planned	Subject to results
45/2004	Mokobaesi	Additional planned	Planned	Additional planned	Planned	Planned
130/2005	Bobonong	Additional planned	Additional planned	Additional planned	Additional planned	Bulk Sample planned
134-8/2005	Uranium	Additional planned	Additional planned	Additional planned	Additional planned	Subject to results

9 Summary of Exploration Budgets

The budgets allocated by Cardia Mining Botswana to the various projects are summarised on pages 6-10 of this prospectus by tenement. The full expenditure commitments will not be covered by the net amount of funds raised by this prospectus. The company has indicated it will address this shortfall on the granted Botswana tenements, by farm outs or by reduction. The detailed budgets and tenement commitments set out in tables 1, 2 and 3 of the prospectus of which this report forms part show the breakdown of expenditure and commitments on the various tenements, with substantial funds already having been committed on Maibele North in PL 110/94 in the current year.

The Company intends to seek joint venture partners for its uranium and diamond tenements and for other areas provided suitable agreements can be negotiated. This strategy has the potential to ensure that highly ranked prospects receive all necessary exploration funding over the two year period following successful listing.

10 Selected References

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Each of Peter Temby and Anpet Exploration Pty Ltd have received an indemnity in respect to damages, losses and liabilities related to or arising out of its engagement in relation to this report.

Each of Peter Temby and Anpet Exploration Pty Ltd have given their written consent for the release of this report in the prospectus of which it forms part. Neither this report nor any part of it may be used for any other purpose without their prior written consent.

Peter Temby MAIG, MSEG
For and on behalf of Anpet Exploration Pty Ltd

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23 January 2006

Report on Mining Tenements: Gansu Province People's Republic of China

This report has been prepared by Mr T G Summons as an Independent Geologist's Report on mining tenement and applications for mining tenements in which A-Cap Resources Limited ("A-Cap") either has an interest or has made application for within Gansu Province in China. The report is prepared for inclusion in a prospectus which will be lodged with Australian Securities and Investment Commission offering for subscription up to 25,000,000 ordinary shares in the capital of A-Cap at an issue price of $0.20 per share to raise up to $5,000,000 in support of an application by A-Cap for listing on the Stock Market conducted by Australian Stock Exchange Limited ("ASX")

This Independent Geologist's Report has been prepared in accordance with the requirements and recommendations of the VALMIN Code (revised edition March 1998), which sets out the principles and matters which should be taken into account in the preparation of expert reports on mineral assets under the Corporations Act and the requirements of the Listing Rules of ASX. As a geologist and member of the Australian Institute of Geoscientists, and with over 30 years relevant experience in both mine and exploration geology, the author has the appropriate qualifications, expertise and experience to prepare the report as required by the VALMIN Code. As at the date of this report, the author has had no association with A-Cap or its individual employees, directors or officers, or any interest in the securities of A-Cap which could be regarded as affecting the ability of the author to give an independent unbiased opinion in relation to the matters set out herein.

T G Summons will be paid a fee for the preparation of this report based on its ordinary commercial rates plus expenses incurred and payment of that fee is in no way contingent on the results of the report or on the issue, the subject of the Prospectus.

A-Cap has acquired interests in mineral tenements in Gansu Province in China by joint venture and by application. This report does not cover or comment on title to any of the tenements or joint venture properties as these issues are to be the subject of a further report by an independent solicitor which we understand will be contained in the prospectus. In the preparation of this report, it was assumed that all titles or applications were in good standing and in accordance with the requirements of Chinese Law, whether local, regional or national. Applicants are referred to the report by Gansu Jincheng Law Firm which forms part of the prospectus in relation to all title and contract issues in relation to the tenements referred to herein.

INTRODUCTION

A-Cap by its wholly owned subsidiary Gansu Sino-Australian Mineral Resources Development Company Limited [GSA] has entered in to a Co-operation Contract with Gansu Qinqi Minerals Company Limited [Qinqi] to explore for gold in the south western part of Gansu Province in China ("the joint venture"). The joint venture also allows for the development and mining of any gold resources discovered during the exploration phase.

Qinqi is the commercial body representing the three Mineral Prospecting Institutes, as part of the Geological and Mineral Prospecting and Development Bureau of Gansu Province.

The Qinqi – GSA joint venture is based on preliminary indications of gold mineralisation identified by the Second Geological and Mineral Prospecting Institution [No. 2 Institute]. This work was done in accordance with the statutory conditions relating to the granting of the Hei Hua Tan Exploration Permit which is the subject of the joint venture.

Separately GSA has obtained a tenement herein called the Ma Yuan North tenement and has made application for 3 other tenements in the vicinity of the Ma Yuan North tenement.

Figure 1 below sets out the location of Gansu Province in which these tenements and applications are situate.

Figure 1: General location of Gansu Province: adjacent to Mongolia

Figure 2 below sets out the regional location of these tenements as referred to in this report and in which the Company has an interest.

Figure 2: regional location of tenements and applications for tenements referred to in this report

JOINT VENTURE AND THE HEI HUA TAN EXPLORATION PERMIT

The joint venture "Cooperation Area" comprises a single Exploration Permit, as follows :
The Hei Hua Tan Exploration Permit covers an area of 70.75 sqr km in Dang Chang County, located 27km east of the town of Dang Chang. The tenement is now in the third year since grant.
The statutory expenditure condition in the third year is 10,000 RMB per sqr km, equating to 707,500 RMB (approximately A$118,000).

GEOLOGICAL SETTING

Lithologies

The exploration permit is located in the West Qinling fold-fault belt in southern Gansu. The basement is composed of Devonian age sedimentary rocks including calcareous slate, sandstone, siltstone, argillaceous limestone and limestone.
Cover rocks include Cretaceous age sedimentary rocks and Quaternary age loess. The tenements are adjacent to a biotite porphyry intrusive body, considered to be related to the gold and base metal mineralisation.

Structure

The basement rocks trend in a NW direction, and have been cut by major ENE oriented thrust fault and ancillary NW and SE trending faults. The thrust fault extends for a distance of some 100km, from near Dang Chang eastward to about 25km east of Li Xian .

The Hei Hua Tan tenement is adjacent [2km] and parallel to the thrust fault, which dips south and beneath the tenement. Splay faults aligned NW and SE originate from this thrust, and host gold mineralisation at the Jin Gao Li deposit located to the north west of the Hei Hua Tan permit.

MINERALISATION

Background

Gold mineralisation in the district occurs at the Jin Gao Li, Chen Jia Gou and Jin Shan deposits. The Chen Jia Gou and Jin Shan deposits are some 20-25km ENE of Hei Hua Tan village, while the Jin Gao Li deposit is located 6.5km to the north west of the village. Chen Jia Gou and Jin Shan are being mined via numerous small operations, while Jin Gao Li is being mined by itinerant miners. None of these deposits are within the Hei Hua Tan Exploration Permit area but all three gold deposits occur on, or closely adjacent to the regional ENE trending thrust fault.

The southern Hei Hua Tan gold anomaly is 13 km in length, and parallel to this major regional ENE trending thrust fault, which dips south beneath the anomaly.

Gold Mineralisation in the Joint Venture Area

Prior to the discovery of Jin Gao Li in about 1997, the general area around Hei Hua Tan village was not known to be gold bearing, and there is little evidence of artisanal mining. Consequently the stream sediment sampling work by the No 2 Institute was the first systematic mineral exploration undertaken in the area.

There has also been some soil sampling done by the No. 2 Institute, and limited reconnaissance rock chip sampling by A-Cap.

Interpretation of the stream sediment sampling data by No. 2 Institute showed the presence of two adjacent anomalous zones. These are shown in figure 3 below. They are as follows :

<u>Southern anomaly</u>

This has a linear west-east shape some 13km in length and 2km wide, and defined by elevated Au, Ag, As, Cu & Pb.

An inspection of road cuttings at the far western end of the southern anomaly was done by A-Cap in July 2005. This work showed the presence of quartz-calcite veins, calcite veins and ferruginous carbonate zones which were chip sampled. The quartz-calcite veins did not contain detectable gold, while the variably banded carbonate veins contained 2 g/t Ag and low level Hg. One of the ferruginous carbonate zones was weakly auriferous, and also contained low level Hg. More details are shown in Figure 3 below.

<u>Eastern anomaly</u>

This has an arcuate shape about 5km long and 1km in width, and defined by elevated Au, Ag, Cu, Mo & Zn.

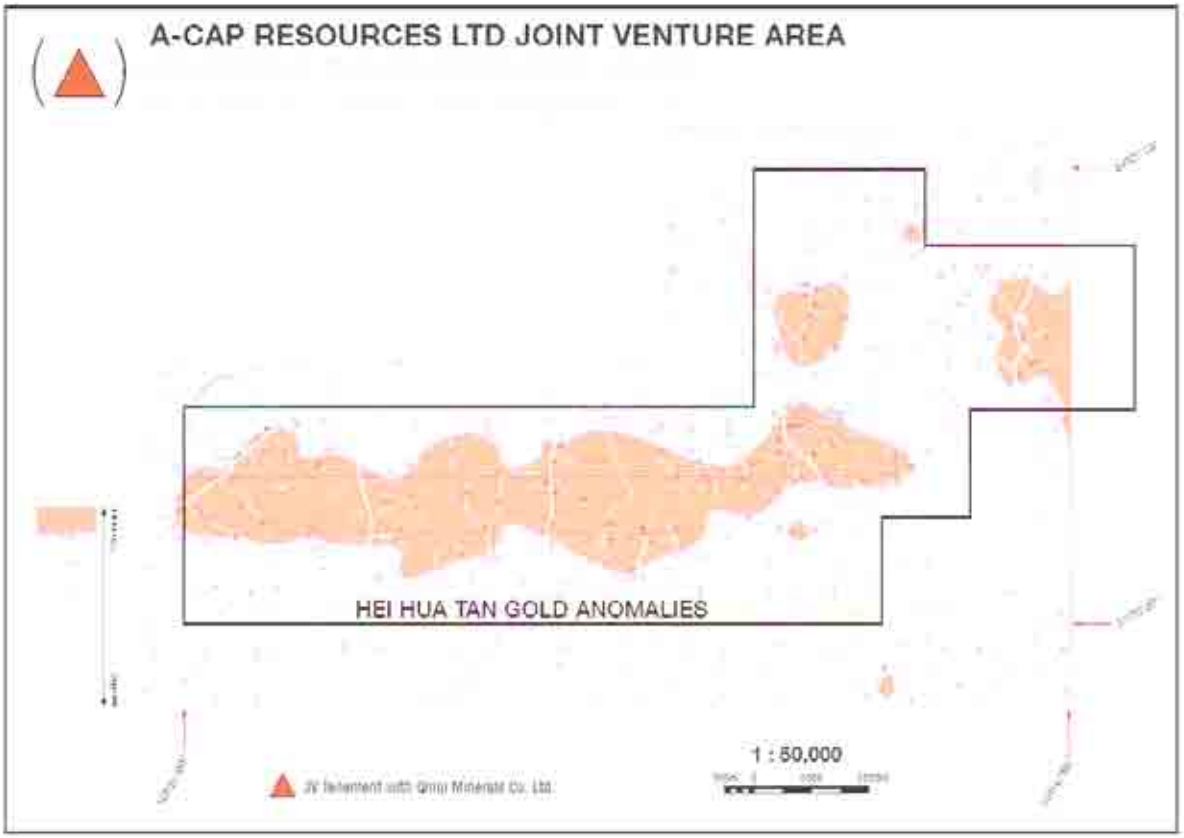


Figure 3: Map of Joint Venture Area (outlined): showing comparative soil sample gold anomalies

Soil samples were collected by the No 2 Institute at 50m intervals on 5 semi-random lines 200m apart over the eastern anomaly; it is understood the best result obtained was 1.9 gAu/t. A brief field inspection of part of the eastern anomaly in July 2005 by A-Cap showed thick soil cover. Figure 3 sets out the comparative gold anomalies shown by soil sampling. It should be noted that no values or grades are represented in Figure 3. Figure 3 represents a preliminary level of geological evaluation and the joint venture tenement area will require detailed additional exploration to determine whether any of the anomalies shown have significant potential for delineation of resources.

DISCUSSION -

The regional spatial association of gold mineralisation with a regional ENE thrust fault shows the structure has had an important role in influencing gold mineralisation in the district east of Dang Chang.

The available structural evidence indicates that further gold mineralisation can be predicted proximal to the regional thrust fault. Any such mineralisation can be expected to be related to secondary or splay faults emanating from the parent thrust fault.

Within the Hei Hua Tan joint venture area, the combination of the gold geochemical anomalies and the underlying thrust fault is considered to represent potential structurally controlled gold mineralisation.

Field inspection of the 13km long linear southern gold anomaly has been restricted to the western extremity of the anomaly, where carbonate-prone veining may represent a distal part of any gold mineralisation present.

There may also be potential for stratabound gold mineralisation in the bedrock of calcareous siliciclastics or in the argillaceous carbonate rocks.

CONCLUSIONS and RECOMMENDATIONS

The results of the preliminary exploration, in conjunction with the structural setting and the known gold mineralisation in the district, indicate a strong likelihood of gold mineralisation being present in the joint venture area.

It is recommended that further exploration be conducted on the Hei Hua Tan tenement. Any such ongoing exploration should include geological mapping, soil sampling and rock chip sampling. Selected targets would then be tested with trenching and drilling.

A-Cap's proposed exploration and expenditure program is justified by the nature of the projects and are realistic and appropriate with regard to A-Cap's financial resources, strategy and objectives.

OTHER EXPLORATION: MA YUAN NORTH AREA

INTRODUCTION

A-Cap has embarked on a program of exploration for gold in an area located east and north east of Xihe town in south-central Gansu Province, China.

Gold has been mined in the Luoboshan area 12km east of Xihe from small operations over the past 100 years. Following the introduction of cyanide leaching technology to this part of China about 15 years ago, the number of small mining operations has expanded considerably, with many villagers supplementing their earnings from agricultural pursuit with heap leach gold production.

Antimony is being mined at the Ma's Big Mountain mine situated 8km east of Luoboshan.

Previous mineral exploration in the area has been done the Gansu provincial Government as follows :

1966 - 1969 : regional survey of geology and mineralisation [1 : 200,000 scale] in the Tian Shui area by the Shaanzi Regional Survey Team
1988 : geochemical anomaly [8 elements, 1 : 500,000 scale] map of the West Qin Ridges by the Gansu Geochemical Exploration Team
1989 - 1991 : geochemical exploration survey [1 : 200,000 scale] map by the Gansu Geochemical Exploration Team.
2001 – 2002 : geochemical integrated anomaly [21 elements, 1 ; 500,000 scale] map of the Qinling Mountain area; produced by the No. 2 Institute.

Systematic gold exploration activity in the district does not appear to have progressed beyond stream sediment sampling, with the possible exception of trenching done by the Gansu Non-ferrous Metal Exploration Bureau Tian Shui 106 Team, over a 15 sqr km area east of Luoboshan.

There is no published data on gold resources, although the myriad of small mining operations around Luoboshan attests to a substantial area of gold mineralisation.

TENEMENTS

A-Cap has one granted exploration permit (Ma Yuan North) and three applications for additional exploration permits, as follows :

Ma Yuan North – 43.2 sqr km, registration no 01000005.10098, in Xihe County. The tenement was granted on 6.6.05.
Yao Dia Da Shan – 76 sqr km in Xihe County [Application]
Liang Tiao Shan – 93 sqr km in Xihe and Cheng counties [Application]
Qiu Mu Gou – 94 sqr km in Xihe, Hui and Cheng counties [Application].

The tenements under application form an almost contiguous area located 4-15km south and south east of the granted tenement. The intervening area is represented by Luoboshan, Ma's Big Mountain and an area of alluvial gold mining around the village of Sai Jing.

The statutory expenditure condition for Ma Yuan North during the first year of grant is 2,000 RMB per sqr km, equating to 86,400 RMB [approximately A$13,824].

Figure 4 below shows the location of the Ma Yuan North Exploration Permit.

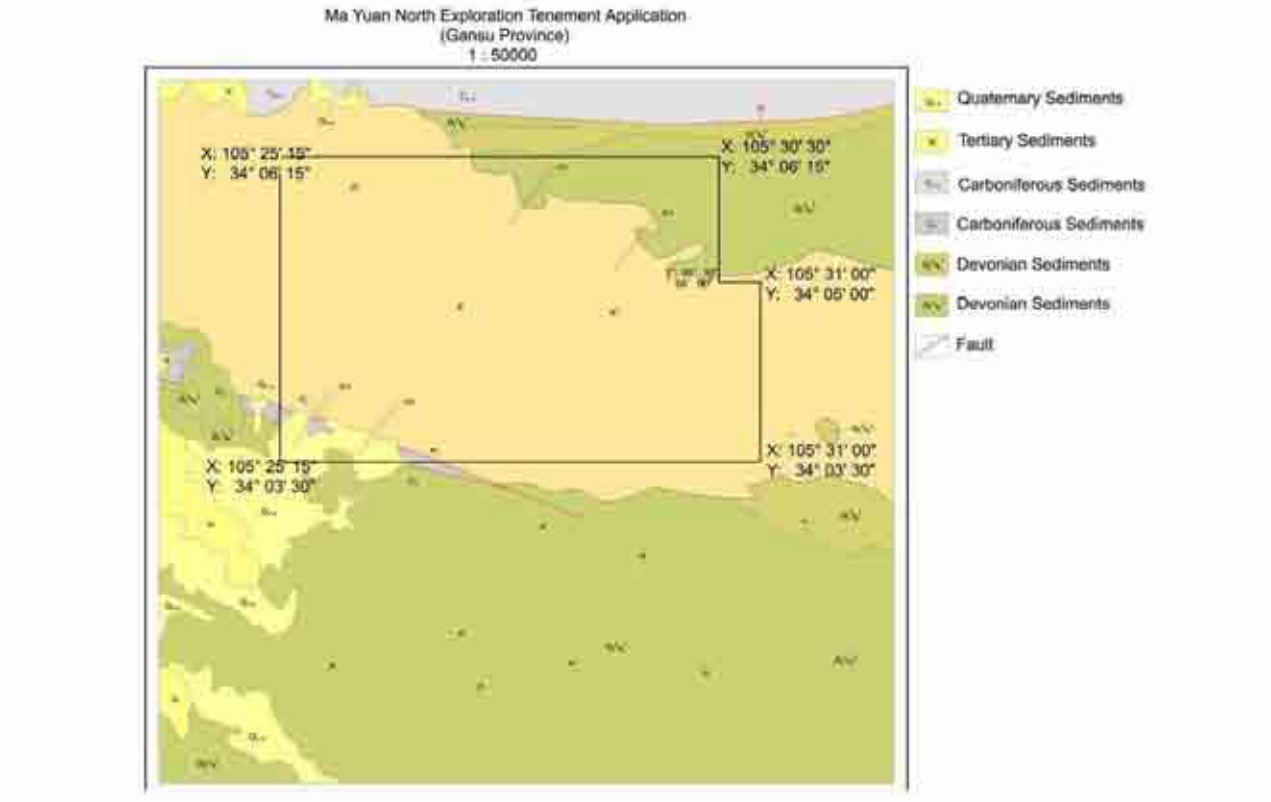


Figure 4: Ma Yuan North Exploration Permit (outlined) showing regional geology

Figure 5 below shows the location of the Yao Dia Da Shan Application for an Exploration Permit.

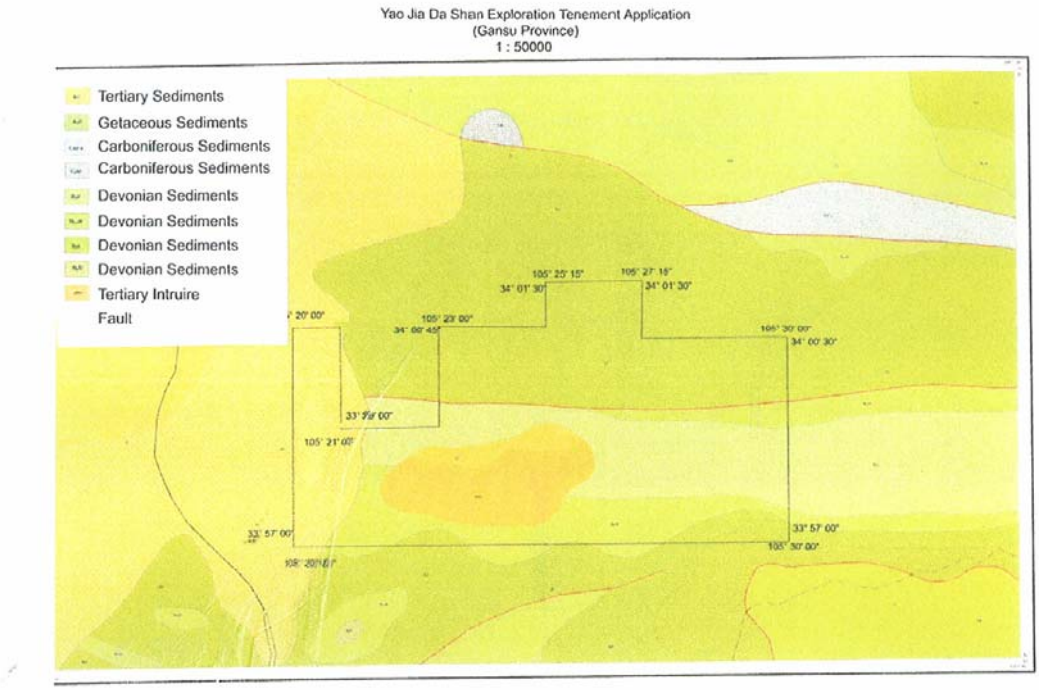


Figure 5: Yao Dia Da Shan Application Area (outlined) in Xihe County showing regional geology

Figure 6 below shows the location of the Liang Tiao Shan Application for an Exploration Permit.

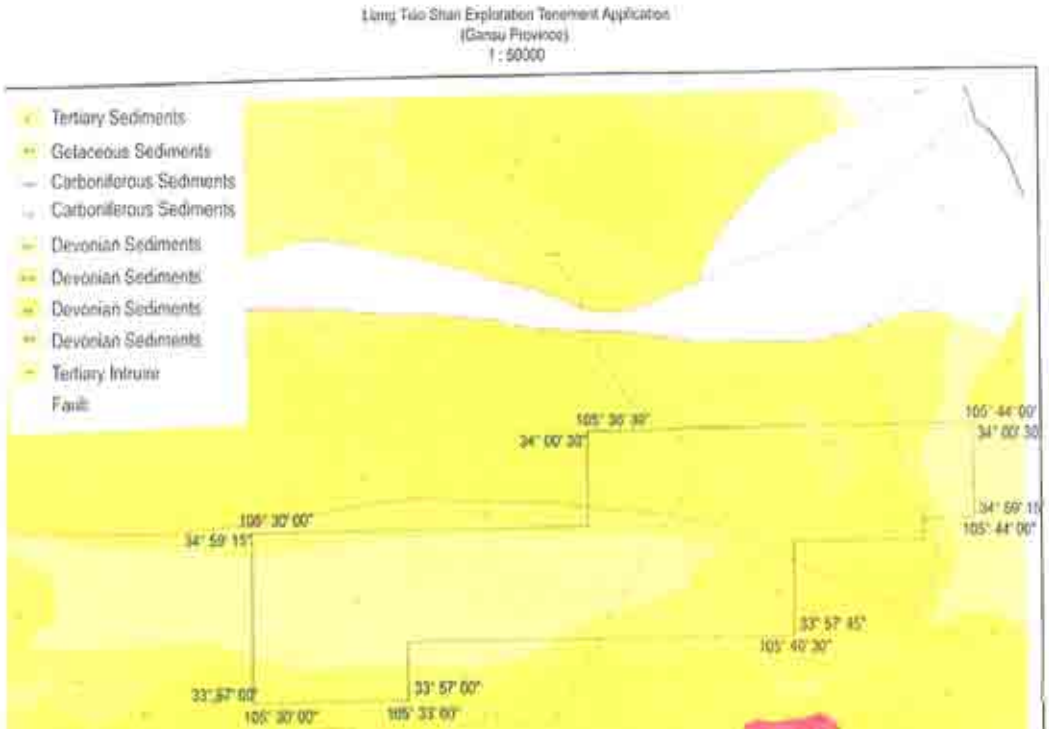


Figure 6: Liang Tiao Shan Application Area (outlined) in Xihe and Cheng Counties showing regional geology

Figure 7 below shows the location of the Qiu Mu Gou Application for an Exploration Permit.

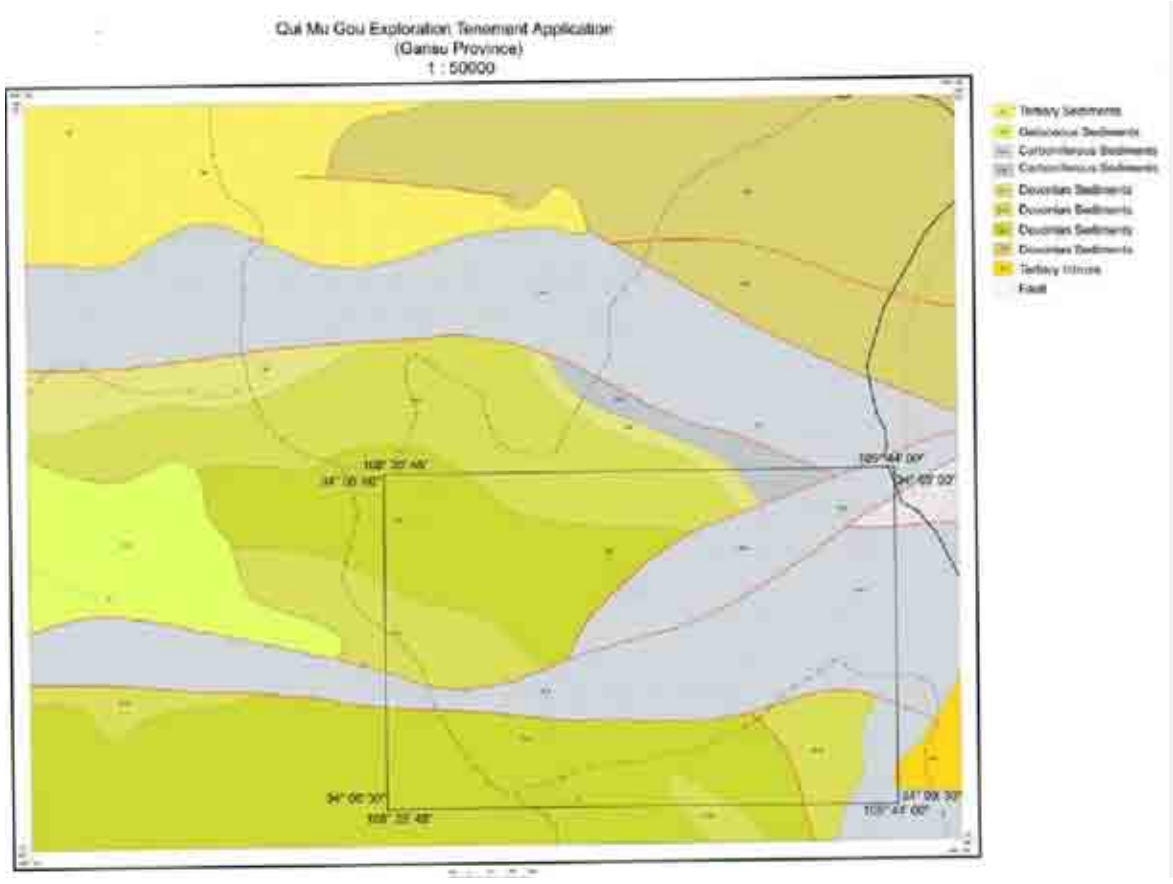


Figure 7: Qiu Mu Gou Application Area (outlined) in Xihe, Hui and Cheng Counties showing regional geology

GEOLOGICAL SETTING

Lithologies

The granted tenement and tenement application areas are located in the West Qinling fold-fault belt in south central Gansu. The basement is composed of Devonian to Carboniferous age sedimentary rocks including sandstone, siltstone, limestone.

Several Triassic age quartz monzodiorite intrusive bodies occur to the south and south east of Ma Yuan village, and within the new application areas. Cover materials include Cretaceous and Neogene age sedimentary rocks and Quaternary age loess.

Structure

The basement rocks have been folded along west – east axes, with the formation of an interpreted west - east domal fold structure some 30km long and 10km wide. The northern part of this domal feature has been truncated by two major regional faults with similar west-east orientation. These regional faults are separated by about 6km, and extend for 50 - 100km.

A complex history of activity is apparent along the regional faults, with transcurrent, normal, and reverse senses of movement. In the Luoboshan area near Xihe, movement across the northern fault involved the over-thrusting of Devonian age sedimentary rocks over Neogene age conglomerates.

MINERALISATION

Regional Geochemical Survey

The Gansu Province Qinling Mountain Geochemical Integrated Anomaly map at scale of 1 : 500,000 was compiled from regional stream sediment sample data by the No. 2 Institute.

Between Xihe and Cheng in southern Gansu, the map depicts a large [30 x 10km] Au Ag Sb Hg Pb Zn Mo Cd anomaly. The anomalous area mirrors, and is underlain by, the inferred domal fold structure described previously. The A-Cap tenement and tenement applications are located within the northern part of the anomaly.

Gold Mineralisation: Luoboshan Area

Gold mineralisation is widespread in the district, and confirms the geochemical auriferous anomalism. Alluvial gold mineralisation occurs around Sai Jing about 20km east of Xihe, and primary gold mineralisation in the general Luoboshan area 14km east of Xihe.

The Luoboshan area is surrounded by the Ma Yuan North Exploration Permit and the 3 applications detailed above, and it is likely that any gold mineralisation present in those tenements will be substantially similar to that in the Luoboshan area. Consequently, a brief description of Luoboshan area is considered appropriate.

The Gansu Government's Second Geological and Prospecting Institution [No 2 Institute], considers the mineralisation at Luoboshan to occur in a series of sub parallel shear zones trending ESE and parallel to a local flexure in the northern regional [thrust] fault. The small mining operations appear to have followed the ESE shear zones for a distance of up to 5km.

The gold mineralisation appears to be hosted in both quartz veins trending N-S, and in disseminated iron oxides formed after sulphides. The quartz ranges from white to grey in colour, and generally contains gossanous iron oxides formed after sulphides. Quartz – carbonate - barite veins are also present. It is understood the larger quartz veins carry gold grades in excess of 20 g/t, while the smaller veins and disseminated mineralisation grade about 0.5 – 1 g/t.

Alteration of the enclosing rocks includes silicification and ferruginisation of limestone and shale. Probable late stage chalcedony and calcite-chalcedony veins occur in silicified limestone, and transect some of the quartz veins.

The various underground mining operations are located within the zone of oxidation. The role of secondary re-mobilisation of the gold in the zone of oxidation has not been established. Heap and vat leach treatment plants appear to indicate fine grained gold amenable to cyanide extraction.

Gold Mineralisation: A-Cap Tenements

The Ma Yuan North tenement and the 3 tenement applications are located across the northern half of the regional geochemical anomaly. Several small gold mining operations are located in the south west corner of the Ma Yuan North tenement, where the focus is on gold mineralisation in quartz veins and ferruginous sheared siltstone.

The tenement applications have not been inspected to date due to the pending status. The rationale for making the applications is that there is circumstantial evidence indicating a reasonable probability of gold mineralisation occurring in the application areas. This can be inferred from the geochemical and structural character of the known gold mineralisation around Luoboshan and Sai Jing.

Antimony Mineralisation

The bedrock expression of the Sb anomalism occurs as stibnite [Sb_2S_3] mineralisation at the Ma's Big Mountain mine situated 8km east of Luoboshan. Consequently, this occurrence confirms part of the regional Sb geochemical anomalism.

Base Metal Mineralisation

Several occurrences of Pb Zn [with lesser Ag & Fe], mineralisation are reported immediately south of the Liang Tao Shan tenement application. Consequently, these occurrences confirm part of the regional Pb, Zn & Ag geochemical anomalism.

DISCUSSION

The three exploration permit applications were made because of a perceived strong potential for gold mineralisation in the area. This perception is based on the coincidence of the regional gold geochemical anomaly with the major domal fold structure. The coincident gold anomaly with domal structure is further enhanced by the presence of two parallel major west-east trending [thrust] faults which envelope the Luoboshan district gold mineralisation.

The northern fault and its subsidiary splay faults extend through the Jiu Mu Gou tenement application. The southern fault underlies the Sai Jing alluvial gold deposit, and extends through both the Rao Jia Da Shan and Liang Tiao Shan tenement applications.

CONCLUSIONS & RECOMMENDATIONS

The available evidence indicates a coincidence of regional domal fold structure, regional fault structures and gold geochemical anomalism in the district east of Xihe. This coincidence has been favourable for gold mineralisation, as exemplified by the Luoboshan area.

The same features occur in the A-Cap tenements, where there is a high probability of locating gold mineralisation similar to Luoboshan. Such mineralisation could be both structurally and stratigraphically controlled.

It is recommended that the program of exploration should include the use of satellite imagery, complemented by aerial photography, geological mapping and soil sampling to define the most significant zones of gold mineralisation. Selected targets would then be tested with trenching and drilling.

A-Cap is obliged to spend AUD$13,824 during the first year of the granted Exploration Permit.

A-Cap's proposed exploration and expenditure program is justified by the nature of the projects and is realistic and appropriate with regard to A-Cap's financial resources, strategy and objectives.

Disclaimer

As author, T. G. Summons warrants that in the preparation of this report he has taken reasonable care in accordance with standards ordinarily exercised by members of the profession generally who practice in the same locality and under similar conditions. The author accepts no liability whatsoever in respect of any failure to exercise a degree or level of care beyond such reasonable care. No other warranty, express or implied, is given, save where necessarily incorporated by statute.

In preparing this report, the author has relied in information provided by A-Cap. A-Cap has undertaken in writing to make full, accurate and true disclosure of all material information to the author as relevant to the projects

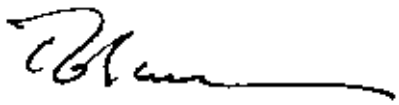
to exercise a degree or level of care beyond such reasonable care. No other warranty, express or implied, is given, save where necessarily incorporated by statute.

In preparing this report, the author has relied in information provided by A-Cap. A-Cap has undertaken in writing to make full, accurate and true disclosure of all material information to the author as relevant to the projects described in this report. This is in accordance with the obligations of the Commissioning Entity under the VALMIN Code.

A-Cap has been provided with drafts of this report to enable correction of any factual errors and notation of any material omissions. The views, statements, opinions and conclusions expressed by the author are based on the assumption that all material provided to the author are complete, factual and correct to the best of A-Cap's knowledge.

During the compilation of this report the author has had no reason to believe that any material facts have been withheld by A-Cap nor any reason to question the authenticity and completeness of the information provided.

This report and the conclusions in it are effective at 10 January 2006. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the projects and the market for mineral properties, however the author does not accept any obligation to provide recipients of the report with any additional information in that regard.



T. G. Summons

INDEPENDENT TITLE REPORT BY CORRS CHAMBERS WESTGARTH

Our reference
HP

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24 January 2006

Partner
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The Directors
A-Cap Resources Ltd
Suite 510, Level 5
Pacific Tower
737 Burwood Road
Hawthorn VIC 3122

Dear Sir

Native Title Report

Corrs Chambers Westgarth (**Corrs**) has been engaged to provide advice on native title issues associated with the following exploration permits (**EPM**) issued or pending under the *Mineral Resources Act (Qld) 1989* (**MRA**) administered by the Department of Natural Resources and Mines (**DNRM**).

The identification of the permits and their current status as at 18th October 2005 and subsequently updated by further communication on 24th January 2006 is set out in the table below:

Exploration Permits – Current Status

Identification of EPM	Date Originally Granted	Initial Expiry Date	Date Renewal Granted	Renewal Details
EPM 9934 (Reedy)	03/03/94	31/12/05	Renewal not yet granted. Under determination. Renewal application lodged 30/9/05. Excluded land application also made under s.176A MRA	If granted, renewal will commence 01/01/06 and expiry likely to be 01/01/08.
EPM 11765 (Tempest)	Not yet granted – application lodged 28/04/97.	N/A	N/A	N/A
EPM 10026 (Campbell Creek)	06/04/94	05/04/04	Renewal application lodged 05/01/06 and currently being assessed.	Expiry 6/04/06
EPM 12240 (Hurricane South)	13/06/03	12/06/05	Renewal not yet granted. Under determination. Renewal application lodged 13/05/05.	If granted, renewal will commence 13/06/05 and expiry likely to be 13/06/07

Native Title Register and tenure searches

Corrs has not undertaken detailed tenure history searches of the areas the subject of the EPMs referred to above. We understand the tenure holders may have also employed the assistance of Environmental Licensing Professionals (**ELP**) to assist in dealing with the DNRM with respect to renewals and NTA processes. Corrs has not conferred with ELP or any other consultants who may be acting for the tenure holders for purposes of this report.

Results of our searches of the Register of Indigenous Land Use Agreements provided by the National Native Title Tribunal (**NNTT**) on or about 18th October 2005 and subsequently updated by further communication on 24th January 2006 are set out in the following table:

Search Area	Area (sq km)	% of area within ILUA	Tribunal Number	Name	Agreement Status	Registration date
EPM11765	16.47	100	QI2004/012	Western Yalanji People Exploration Permit Backlog Project ILUA	Registered	24/02/2005
EPM12240	19.75	100	QI2003/006	Djungan People Exploration Permit Backlog Project ILUA	Registered	07/10/2003
EPM12240	19.75	100	QI2003/045	Djungan small Mining ILUA	Registered	29/11/2004
EPM10026	42.83	N/A	N/A	N/A	N/A	N/A
EPM9934	42.84	N/A	N/A	N/A	N/A	N/A

* Note: on 24 January 2006 the NNTT advised that a new ILUA, the Western Yalanji Small Scale Mining Exploration Activities ILUA, had been lodged for registration with the NNTT. As the ILUA has not yet been notified (advertised) the NNTT is precluded from supplying any detailed information about that new ILUA. Consequently, it is not clear, at this stage, whether the ILUA covers any of the EPM's referred to above.

EPM Current Status

EPM 9934 (Reedy)

A renewal application was lodged on 30 September 2005. The renewal, if granted, will commence on 1/1/06. In the meanwhile and until the renewal application is determined the permit remains valid.

The renewal application seeks a two year term and is currently going through technical assessment by officers of the DNRM.

Application has also been made under section 176A of the MRA to include excluded land in the permit. Section 187A of the MRA provides:

"*176A* ***Application to add excluded land to existing permit***

(1) The holder of an exploration permit (the existing permit) may apply to the Minister to add excluded land to the existing permit.

(2) The provisions of this part apply, with necessary changes, to an application under subsection (1) as if it were an application under section 133.

(3) Without limiting subsection (2), in deciding the application, the Minister may –

(a) impose conditions under section 141(1)(j) in addition to any conditions that apply under the existing permit; and

(b) fix an amount of security to be deposited under section 144 in addition to any security for the existing permit.

(4) On the granting of the application, the excluded land is included in the existing permit.

(5) In this section –

*"**excluded land"** means land that was the subject of a specific exclusion when the existing permit was granted or that was taken to be excluded under section 132."*

From 1994 to 1996 it was common for the DNRM to issue Permits which were expressed to exclude land where native title may continue to exist. Such conditions were being used at the time to provide for the possibility that underlying tenure (most commonly pastoral leases) may not have extinguished native title.

We are advised by the DNRM that the future act process being applied to the section 176A application is the expedited procedure provided for in sections 29 and 32 of the *Native Title Act 1993* (**NTA**). The DNRM advises no additional future act process will be applied to the renewal application.

Pursuant to the expedited procedure process an intention to do the act (issue the permit) must be given under section 29(3) of the NTA. We are advised by the DNRM the notification date (commencement of notification) for the application was 23 November 2005.

Following that date a four month notification period follows, during which objection can be made by native title parties to the inclusion of the statement in the notice under section 29 that the act is one to which the expedited procedure applies. Objection is made to the Queensland Land and Resources Tribunal. If objection is made and the expedited procedure is found to properly apply to the act, the DNRM can proceed with it (NTA section 32(4)). If no objection is made the DNRM can proceed.

If the NTA finds the expedited procedure, should not apply, the normal right to negotiate procedure under Part 3, Division 3, Subdivision P of the NTA will then apply.

Criteria for determining whether the expedited procedure can apply to the proposed grant is set out in section 237 of the NTA. No assessment of that criteria to the excluded land or renewal application has been undertaken for purposes of this report.

EPM 11765 (Tempest)

Our searches confirm the application has not yet been granted. However the DNRM have advised us it is likely to be granted very soon for a two year term.

The EPM is covered by the Western Yalanji People's Exploration Permit Backlog Project ILUA which was registered on 24 February 2005.

The Permit once issued will need to comply with the terms of the ILUA. A full copy of the ILUA has not been provided with this report. However relevant provisions of the ILUA are as follows:

> "*9.2 The Native Title Parties on behalf of the Native Title Group consent to the grant of an EP to an Explorer provided that:*
>
> *(a) the EP is granted for a maximum term of five years;*
>
> *(b) the EP contains the Native Title Conditions; and*
>
> *(c) the Explorer has paid the amount required to be paid under clause 14.1.*
>
> *9.3 The Native Title Parties on behalf of the Native Title Group consent to the conduct of Exploration Activities under the EP provided that the Explorer complies with the Native Title Conditions.*
>
> *9.6 The Native Title Parties on behalf of the Native Title Group consent to the renewal of an EP or MDL granted in reliance on this Agreement if the renewed DP or MDL continues to be subject to the conditions described in clause 9.2 and 9.4 and provided that the explorer has paid the amount required to be paid under clause 14.1*."

This report has not considered matters pertaining to compliance with terms of the Western Yalanji Backlog ILUA.

EPM 10026

DNRM advises this EPM was granted over land the subject of tenure which extinguished native title.

The EPM is currently due to expire on 6 April 2006. An application for renewal was made to the Chief Executive of DNRM on 6 January 2006 and is currently being assessed.

EPM 12240 (Hurricane South)

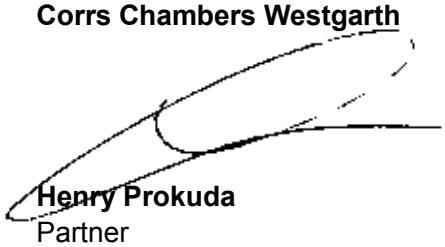
The EPM expiry date was 12 June 2005. A renewal application was made in May 2005 and is still pending.

DNRM advises that the renewal application is on the DNRM's current list for Ministerial consideration of whether the expedited procedure will apply to the renewal. While the renewal application is pending and until a decision is made on the renewal, the EPM remains valid. It is not known when the Minister will make a decision on the application of the expedited procedure to the application.

As noted above, criteria for determining whether the expedited procedure can apply to a proposed grant is set out in the NTA. No assessment of the application of the criteria to this application has been made for purposes of this report.

The EPM is also referred to in the Djungan People's Exploration Permit Backlog Project ILUA. IN order for the ILUA to apply to the grant or renewal of a permit it is necessary for a holder to "opt in" to the ILUA. It is not known whether the holders have "opted in" to the Djungan Exploration Permit Backlog ILUA.

Yours faithfully
Corrs Chambers Westgarth



Henry Prokuda
Partner

INDEPENDENT TITLE REPORT: ARMSTRONGS

ARMSTRONGS

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Associate Member of:
LEX MUNDI
LEX AFRICA

SAZ/nm/27965

24 January 2006

The Directors
A-Cap Resources Limited
Level 9
356 Collins Street
MELBOURNE VIC 3000

Dear Sirs

RE: REPORT ON PROSPECTING LICENCES HELD BY CARDIA MINING BOTSWANA (PTY) LIMITED

1. We have been requested to give an opinion on the status of prospecting licences issued to Cardia Mining Botswana (Pty) Limited ("Cardia") in Botswana or in which we are instructed Cardia has an interest including through joint venture.

2. We have been forwarded with various copies of prospecting licences which we shall assume, for purposes of this opinion:

   2.1 are the only licences granted to Cardia in Botswana;

   2.2 are the only licences we are required to report on.

3. Details of the prospecting licences provided appear in a schedule of tenements annexed hereto marked "A".

4. The Mines and Minerals Act of 1999 ("MMA") governs the issue of all mineral rights in Botswana. The following rights are granted to holders of mineral rights in Botswana:

   4.1 The first step in the mining process is to obtain a prospecting licence. This is granted, in terms of the MMA, for a period not exceeding three years with two rights of renewal, of two years each. This entitles the holder to enter into any land to which the licence relates and prospect thereon for the mineral to which his prospecting licence relates, drill boreholes and make such excavations as may be necessary and erect tents and put up temporary buildings for machinery necessary for prospecting purposes.

   4.2 The next stage may be to obtain a retention licence. Any holder of a prospecting licence may apply to the Minister for a retention licence in respect of the area and

minerals covered by his prospecting licence. This is a right of retention granted to the holder of a prospecting licence. The holder of a prospecting licence, retention licence or a waiver (which may be granted by the Minister to any person who is not in possession of a prospecting or retention licence to apply for a mining licence if he is satisfied that an area to which the application relates has been sufficiently prospected and no person has exclusive rights over the area), may apply for a mining licence.

4.3 Mining licences are granted for periods not exceeding 25 years and upon the issue of such licence, the Government has an option of assuming up to 15% of the working interest participation in the proposed in the case of mining except in the cases of diamond mining, where participation is negotiated with Government.

4.4 Prospecting licences may be renewed in accordance the MMA when they expire. In terms of the MMA a holder of a prospecting licence may at any time not later than three months before expiry, write to the Minister requesting renewal and stating the period for which the renewal is sought and submitting together with his application:

(a) a report on prospecting operations so far carried out and the direct cost thereby incurred; and

(b) a proposed plan of prospecting operations to be carried out during the period of renewal and estimated costs thereof.

4.5 As stated above, an applicant is entitled to the grant of no more than two renewals thereof, each for the period applied for which in either case shall not exceed two years provided that

(a) the applicant is not in default;

(b) the proposed programme of prospecting operations is adequate;

4.6 Before rejecting an application for renewal, the Minister is also obliged to give notice of a default to an applicant and call upon the applicant to remedy such default within a reasonable time. In addition, before rejecting an application for renewal the Minister is further obliged to give an applicant the opportunity to make satisfactory amendments to the programme of prospecting operation.

4.7 The holder of a mineral concession is liable to pay royalties to Government for any mineral right obtained by him. The prescribed rate of such royalties are the following percentages of gross market value:

- precious stones 10%
- precious metals 5%
- other minerals or mineral products 3%

where gross market values is defined as the sale value receivable at the mining gate on arms length transaction without discount, commissions or deductions.

4.8 Any royalties paid during the year of assessment are allowed as a deduction in the computation of the company's chargeable income. The gross income of the mining company includes all amounts accruing as a result of mining and prospecting operations and all amounts accruing from processing, marketing, servicing, financial and administration operations whether carried out in or outside Botswana. There is an allowance deduction known as the capital mining allowance, computed in accordance with 100% of the mining capital expenditure made in the year in which such expenditure

was incurred with unlimited carried forward of losses/deduction is not transferable between distinct and non-contiguous mining operations. From 1999 a non-negotiable mining tax formula was introduced in order to provide international investors with greater certainty. The variable income tax rate was introduced under which mining profits are taxed according to the following formula:

$$\text{Annual Tax Rate} = \frac{70 - 1{,}500}{X}$$

where X is a profitability ratio, given by taxable income as a percentage of gross income, provided that the tax rate shall not be less than the company tax rate of 25% made up of 15% basic company tax and 10% additional company tax rate. The maximum theoretical tax rate that can arise under the formula is 55%. The actual tax rate applicable each year therefore varies, depending on the profitability of the mining operations. The taxation of diamonds is however subject to agreements negotiated with Government in terms of the MMA;

4.9 Prospecting rights are transferable however, this must be with the prior approval of the Minister. The MMA provides that the prospecting licence or any interest therein or controlling interest of the holder thereof may be transferred to another person provided that the Minister is notified not less than 30 days before the intended transfer. On such notification, the applicant shall give to the Minister such details of the transferee as would be required in the case of an application for a prospecting licence. Where the Minister is satisfied that the transferee is not disqualified under any provisions of the MMA, the Minister shall approve the transfer.

4.10 A prospecting area shall be reduced in size to eliminate therefrom, at the end of the initial term of the prospecting licence not less than half of the initial area and at the end of each period of renewal (two years) half of the remaining area for such lower proportion as the Minister may in any case agree. Notwithstanding the aforegoing, where a person holds two or more contiguous prospecting licences covered by the same period and the same mineral or minerals the Minister shall for purposes of elimination, permit the areas covered thereby to be deemed one area, the subject of one prospecting licence.

5 With regard to the prospecting licences either granted to Cardia or otherwise to Mineral Holdings Botswana (Pty) Ltd or Gallery Gold Botswana (Pty) Ltd all as appears from the Schedule of Tenements annexed hereto, from our searches of the records held by MMA and from perusal of the terms of the prospecting licences, they appear to be valid, current, and issued in terms of the MMA and otherwise in good standing with MMA. All of the tenements have been granted.

6 Prospecting licences 44/2004 - 48/2004 inclusive and 134/2005 – 138/2005 are still within their initial period and therefore the holder thereof, is still entitled, upon expiry, two further periods of renewal of two years each, subject to relinquishment as set out in paragraph 4.10.

7 Prospecting licences 110/94, 111/94, 54/98 and 14/2003 appear to be in their renewal periods.

8 Prospecting licence 14/2003 has been issued to Mineral Holdings Botswana (Pty) Ltd. We do not know how this is connected to Cardia.

9 We have obtained confirmation from the Director of Geological Survey that all these licences are in good standing in terms of compliance with the provisions of the Mines and Minerals Act.

10 In preparing this report we have

10.1 examined copies of all documents made available to us;

10.2 considered all legislation relating to the issue of prospecting licences in Botswana;

10.3 made other investigations and researched such matters of law as we have considered relevant to the report.

11 This report is based on the assumptions that:

11.1 all copies of documents examined by us are complete in all respects and in conformity with the originals of such documents;

11.2 all signatures, date stamps, seals and other markings of all documents are authentic;

11.3 all original documents required to be stamped in terms of any applicable legislation were duly stamped in accordance with the terms of such legislation;

11.4 for these purposes we have verified that the documents required to be stamped pursuant to the Laws of Botswana have been stamped in accordance with the terms of the relevant legislation;

11.5 all documents made available to us have not been superseded by other documents not available to us for whatever reasons.

Yours faithfully

ARMSTRONGS

"A"
SCHEDULE OF TENEMENTS

Tenement PL No	Registered holder	Tenement Name	Term and Renewal	Area	Minimum Expenditure Required (BWP)
110/94	Cardia Mining Botswana (Pty) Ltd	Magogaphate	Renewed 01/07/04 Expires 30/06/2006	27.72km^2 in Central District	1,174,978. (1st year) 2,145,373 (2nd year)
111/94	Cardia Mining Botswana (Pty) Ltd	Mokoswane	Renewed 01/07/04 Expires 30/06/2006	36.10 km^2 in Central District	564,800 (1st year) 1,053,290 (2nd year)
54/98	Cardia Mining Botswana (Pty) Ltd	Takane	Renewed 01/07/04 Expires 30/06/2006	80.06 km^2 in Central District	549,088 (1st year) 649,273 (2nd year)
14/2003	Mineral Holdings Botswana (Pty) Ltd	Majante	Granted 01/04/03 Expires 31/03/2006	100 km^2 in Central District	100,000 (1st year) 100,000 (2nd year) 200,000 (3rd year)
44/2004	Cardia Mining Botswana (Pty) Ltd	Shashe East	Granted 01/07/04 Expires 30/06/2007	487.76 km^2 in Central District	295,715 (1st year) 393,190 (2nd year) 109,660 (3rd year)
45/2004	Cardia Mining Botswana (Pty) Ltd	Letlhakane	Granted 01/07/04 Expires 30/06/2007	1,000 km^2 in Central District	125,000 (2nd year) 250,000 (3rd year (amended)
46/2004	Cardia Mining Botswana (Pty) Ltd	Sampowane	Granted 01/07/04 Expires 30/06/2007	935.9 km^2 in Central District	295,715 (1st year) 3,190 (2nd year) 1,096,760 (3rd year)
47/2004	Cardia Mining Botswana (Pty) Ltd	Gobe Shear	Granted 01/07/04 Expires 30/06/2007	499.6 km^2 in Central District	295,715 (1st year) 393,190 (2nd year) 1,096,760 (3rd year)
48/2004	Cardia Mining Botswana (Pty) Ltd	Shashe West	Granted 01/07/04 Expires 30/06/2007	647.0 km^2 in Central District	295,715 (1st year) 393,190 (2nd year) 1,096,760 (3rd year)
130/2005	A-Cap Resources Limited	Bobonong	Granted 01/10/05 Expires 30/09/2008	795.9 km^2 in Central District	390,807 (1st year) 160,195(2 nd year) 3,382,993 (3rd year)
134/2005	Cardia Mining Botswana (Pty) Ltd	Mea	Granted 01/10/05 Expires30/09//2008	650.6 km^2 in Central District	125,000 (1st year 250,000(2nd year) 475,000 (3rd year)
135/2005	Cardia Mining Botswana (Pty) Ltd	SUA	Granted 01/10/05 Expires30/09//2008	971.2 km^2 in Central District	125,000 (1st year) 250,000(2nd year) 475,000 (3rd year)
136/2005	Cardia Mining Botswana (Pty) Ltd	North Uray	Granted 01/10/05 Expires30/09//2008	765.7 km^2 in Ngamiland District	100,000 (1st year) 220,000 (2nd year) 200,000 (3rd year)
137/2005	Cardia Mining Botswana (Pty) Ltd	South Uray	Granted 01/10/05 Expires 30/09/2008	593 km^2 in Ngamiland District	100,000 (1st year) 220,000 (2nd year) 200,000 (3rd year)
138/2005	Cardia Mining Botswana (Pty) Ltd	Bolau	Granted 01/10/05 Expires30/09//2008	429.2 km^2 in Central District	100,000 (1st year) 200,00 (2nd year) 200,000 (3rd year)
18/2004	Gallery Gold Botswana (Pty) Ltd	Jim's Luck	Granted01/07/04 Expires30/06/2007	20.16 km^2 in North East District	550,000 (1st year) 450,000 (2nd year) 250,000 (3rd year)

INDEPENDENT TITLE REPORT: CHINA

甘肃金城律师事务所

GANSU JINCHENG LAW OFFICE

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REPORT ON EXPLORATION TENEMENTS IN GANSU PROVINCE, CHINA

Introduction

This Report is prepared by Gansu Jincheng Law Firm for A Cap Resources Pty Ltd ("A Cap Resources") in connection with its proposed listing of shares on the Australian Stock Exchange in the last quarter of 2005.

Gansu Jincheng Law Firm is a firm of lawyers duly qualified and licensed to practice Chinese law in the People's Republic of China.

Gansu Jincheng Law Firm was requested to report on the status of certain exploration licences (the "Licences") and certain applications for exploration licences (the "Applications") for mining tenements located in Gansu Province, China, and to provide a brief review of the current regulatory environment for foreign investment in China's mining sector. We were also requested to review the co-operation contract (the "Co-operation Contract") entered into between Gansu Sino-Australian Mineral Resources Development Co. Ltd ("Gansu SAM Resources"), a wholly foreign owned enterprise established in China by A Cap Resources, and Gansu Qinqi Minerals Company Limited ("Gansu Qinqi Minerals") on the 17th December 2004.

This Report is not intended to be a comprehensive survey or analysis of all laws, regulations and policies that might impact on foreign investment or mining operations.

This Report has been prepared following a search of the public registers relating to exploration tenements and company registrations and publicly available laws, regulations and policies.

In preparing this Report we have assumed and relied on the following:

- that the publicly available information in the registers maintained by the relevant government departments is correct, complete and up to date as at 20 October 2005, being the date immediately preceding when the searches were conducted;
- that all documentation provided to us by A Cap Resources in respect of the Licences and Applications is complete, accurate and up to date; and
- that the Licences have been validly granted by the relevant government authorities.

We are not aware of any matter or fact which would cause us to consider any of those assumptions to be incorrect.

Mining Law

Mineral resources in China are governed by the *Mineral Resources Law* which was originally promulgated on the 19th March 1986 and was subsequently amended with effect from the 1st January 1997. The *Mineral Resources Law* was promulgated by the Standing Committee of the National People's Congress, the highest law-making organ in China, and has precedence over all other forms of legislation, rules and regulations issued by subordinate government departments and bodies.

Other regulations which govern the exploration and mining of mineral resources in China include the:

- *Mineral Resources Law Implementing Rules* (promulgated on the 26th March 1994) (the "**Implementing Rules**")
- *Administration of Assignment and Transfer of Mining Industry Rights Tentative Provisions* (promulgated on the 1st November 2000) (the "**Tentative Provisions**")
- *Registration and Management of Blocks for the Exploration of Mineral Resources Procedures* (promulgated on the 12th February 1998) (the "**Exploration Procedures**")
- *Registration and Management of Mineral Resources Mining Procedures* (promulgated on the 12th February 1998) (the "**Mining Procedures**")

Key provisions of the *Mineral Resources Law* and other mineral resources regulations provide that:

- mineral resources are owned by the State
- the State Council exercises the State's ownership rights in relation to mineral resources
- exploration and mining of mineral resources are subject to separate licensing and registration requirements
- investment in the exploration and mining of mineral resources may be made by individuals, enterprises, other economic organisations and foreign companies in accordance with applicable Chinese laws and regulations
- exploration and mining of mineral resources is subject to the payment of applicable fees and taxes
- a party with exploration rights has the priority right to exploit mineral resources found within the exploration area
- failure to comply with the relevant laws, rules and regulations can result in fines, revocation of licences, administrative sanctions and criminal liability.

The Ministry of Land and Resources ("MLR") and its provincial and local counterparts is responsible for the implementation of the Mineral Resources Law and associated legislation.

Exploration Licences

China has adopted a block registration system for mineral resources exploration pursuant to the Exploration Rules. For mineral resources purposes, the country is divided into basic blocks of 1'

latitude by 1' longitude. A party wishing to explore for mineral resources must apply to the MLR or its local counterpart for registration and the grant of an exploration licence.

An exploration licence for non-petroleum, non-gas mineral resources is valid for a maximum term of three years, although this may be renewed for further periods of two years.

The exploration licence holder must pay the prescribed standard use fee, currently RMB 100 per square kilometre per year for the first three years increasing by RMB 100 per square kilometre per year each year thereafter up to a maximum of RMB 500 per square kilometre per year. Under certain circumstances the standard use fee may be reduced or waived.

Under the Exploration Procedures, the exploration licence holder must also incur a minimum amount of exploration expenditure in within the licensed area. The current minimum expenditure is:

- RMB 2,000 per square kilometre in the first year after the licence is issued
- RMB 5,000 per square kilometre in the second year after the licence is issued and
- RMB 10,000 per square kilometre annually from the third year after the licence is issued.

If an economic deposit is discovered, the exploration licence holder may apply for a reservation of the exploration licence for a period of two years from the expiry of the licence term. This reservation may be renewed once for a further period of two years.

Under the Implementing Rules, an exploration licence holder is entitled to:

- undertake exploration within the area covered by the licence during the term of the licence
- construct infrastructure and facilities to facilitate exploration such as power and water supplies and communications facilities (provided that these do not interfere with or damage any existing facilities)
- priority to obtain a mining licence to exploit and mine the mineral resources within the exploration area

The exploration licence holder is also obliged to:

- start exploration within the prescribed term
- incur the minimum exploration expenditure prescribed in the exploration licence
- pay the applicable exploration use rights fees
- explore for all key and associated minerals
- comply with the terms of the exploration licence in carrying out its activities
- comply with applicable reporting requirements

Mining Licences

Before exploiting mineral resources discovered in China a party must apply to the MLR or its local counterpart for registration and the grant of a mining licence. A mining licence is granted for a term of between 10 and 30 years dependant upon the scale of the proposed mining operations. A mining licence may be renewed upon application to the relevant authorities.

As noted above the holder of an exploration licence has first priority in relation to the grant of a mining licence for mineral resources discovered pursuant to the exploration licence.

A mining right use fee of RMB 1,000 per square kilometre is payable annually.

The Implementing Rules provide that the holder of a mining licence shall be entitled:

- to conduct mining activities within the specified mining area during the term of the licence
- to sell the mineral products, save where there are regulations requiring centralised sale by designated units
- to acquire the land use rights for the land subject to the licence
- to construct the necessary infrastructure to operate the mine

The mining licence holder is also obliged to:

- construct the mine and commence mining within the prescribed period
- exploit the mineral resources efficiently and rationally
- pay the mining right use fee, the resources tax and the mineral resources compensation fee
- comply with applicable laws and regulations relating to health and safety, environmental protection, water and soil conservation and land reclamation
- comply with reporting requirements and inspections from applicable government departments

The mineral resources compensation fee is calculated in accordance with the formula set out in the *Administration of Collection of Mineral Resources Compensation Provisions*. Among other elements the fee is calculated by reference to the sales income of the mineral products, the mining recovery rate and a compensation rate between 0.5% and 4.0% depending upon the mineral concerned.

Approval procedures

The Implementing Rules, Exploration Procedures and Mining Procedures specify detailed application procedures which must be followed in order to obtain an exploration licence and a mining licence. The application process requires obtaining the approval of several ministries, departments and bureaux.

Transfer of exploration rights and mining rights

The transfer of an exploration licence or a mining licence must be approved by the MLR or its local counterpart. The *Administration of Transfer of Exploration Rights and Mining Rights Procedures* provide that an exploration licence may be transferred if the following conditions are satisfied:

- two years have passed since the issue of the exploration licence or the discovery of a mineral deposit in the exploration area
- the scheduled minimum exploration expenditure has been incurred
- no disputes have arisen in relation to the exploration rights
- exploration licence use fees and other exploration related fees have been paid
- any other conditions specified by the MLR have been satisfied

A mining licence may be transferred if the following conditions are satisfied:

- one year has passed since mining commenced
- no dispute has arisen in relation to the mining rights
- payment of the mining licence use fee, resources tax, mineral resources compensation fee and other mining related fees have been paid
- any other conditions specified by the MLR have been satisfied.

Foreign Investment in China's mineral resources sector

Foreign investment general introduction

Foreign direct investment in China typically takes the form of foreign invested enterprises ("**FIE**"s) structured as Sino-foreign equity joint ventures, Sino-foreign co-operative joint ventures or wholly foreign owned enterprises. Each of these investment vehicles has its own unique advantages and disadvantages relating to management and operation of the FIE, financial resources, Government policy, market goals and tax.

All forms of FIE must be approved by the Ministry of Commerce, at the local and sometimes national level, and by the State Administration for Industry and Commerce. Additional approvals from other ministries may also be required for companies in certain sectors. All changes to the FIE including increases in the registered capital, changes to the articles of association and changes to the directors must be submitted to the original approving authorities for approval.

Foreign investment in China is governed by the *Catalogue of Industries for Guiding Foreign Investment* (the "**Foreign Investment Catalogue**") which was issued jointly by a number of government departments including the National Development and Reform Commission and the Ministry of Commerce. The most recent edition was issued in 2004. Industries are categorised into 'encouraged', 'restricted', 'prohibited' and 'permitted'. Depending upon the category of business, foreign investors may be subject to restrictions or limitations on their ability to invest. For example, a Sino-foreign joint venture may be required or the foreign investor may only be permitted a minority stake in the business.

Foreign investment in mineral resources

The exploration and mining of mineral resources is generally categorised in the Foreign Investment Catalogue as encouraged, however, exploration and mining of certain high value or rare minerals is either restricted or prohibited. For example, exploration and mining of coal, iron ore, copper, lead and zinc are all encouraged although in some cases a Sino-foreign joint venture is required. The exploration and mining of precious metals such as gold and silver is restricted and the exploration and mining of radioactive minerals is prohibited to foreign investment.

There are preferential policies to attract foreign investment into western China, which includes Gansu Province.

In addition to the Foreign Investment Catalogue, the Chinese government has issued a number of policy statements encouraging foreign investment in the mining sector, in particular, the *Certain Suggestions of Further Encouraging Foreign Investment in the Exploration and Mining of Non-Petroleum Non-Gas Resources* (the **"Suggestions"**). The Suggestions were approved by the State Council and issued jointly by the MLR and several other ministries on the 24th October 2000.

The Suggestions promote the following policies, among others:

- An open market for exploration and mining of non-petroleum non-gas mineral resources for foreign investors
  - subject to the Mineral Resources Law and the Foreign Investment Catalogue, foreign investors are encouraged to invest in exploration and mining in China
  - foreign investors may undertake exploration solely or as part of a joint venture
  - a foreign enterprise discovering a mineral deposit as a result of its exploration work has legal priority to mine that deposit upon establishing a mining entity for that purpose
  - foreign investors are entitled to transfer according to the law their exploration and mining rights

- Preferential treatment applicable to foreign investment in exploration and mining of non-petroleum non-gas mineral resources
  - the same preferential tax treatment as is available to other foreign invested enterprises
  - the same preferential treatment in respect of importing and exporting exploration equipment as is available to other foreign invested enterprises
  - the ability to treat exploration expenses as deferred assets, which can be amortised once mining activities commence
  - additional incentives for investment in western China

- Government support
  - Government departments should not place excessive economic demands on foreign investors, conduct unnecessary inspections or impose an unreasonable proportion of charges on foreign investors
  - provision of timely services to foreign investors
  - timely resolution of disputes regarding exploration and mining rights

Foreign exchange

The lawful currency of China is the Renminbi which is not freely convertible at this time into foreign exchange. The Renminbi is administered by the People's Bank of China ("**PBOC**").

On the 21st July 2005, the PBOC, with the approval of the State Council, issued the *Notice on Improving Reform of the Renminbi Exchange Rate*. The exchange rate is now a managed floating regime based on market supply and demand with reference to a basket of currencies. After the close of the market each day the PBOC will announce the closing price of the Renminbi against foreign currencies such as the US dollar in the inter-bank foreign exchange market. This will be the middle price for trading against the Renminbi the following working day. The daily trading price of the Renminbi against the US dollar in the inter-bank foreign exchange market will be allowed to float within a band of 0.3% around the middle price.

The administration of foreign exchange transactions and activities is the responsibility of the State Administration of Foreign Exchange ("**SAFE**"). Chinese enterprises, including FIEs, which require foreign exchange may effect payment from a foreign exchange account or convert Renminbi into foreign exchange at designated foreign exchange banks provided that they have valid documentation for making such payments. As a general rule, capital account transactions involving foreign exchange must be approved in advance by SAFE. Current account transactions involving foreign exchange do not need to be approved by SAFE.

Repatriation of dividends

Dividends paid by an FIE to its investors are current account items and may be remitted outside of China upon completion of the appropriate procedures. The procedures are prescribed in the *Notice on the Amendment of the Notice on Certain Questions on Foreign Exchange Designated Banks' Dealing with Remittance of Foreign Exchange Profit and Dividends* (promulgated on the 1st October 1999) and the *Administration of Foreign Exchange Trading for Non-trading Category and Personal Foreign Exchange Transactions Procedures* (effective from the 28th March 2002). In order to remit a dividend payment outside China an FIE must present to the remitting bank:

- a written application
- the FIE's foreign exchange registration certificate
- a board resolution approving the distribution
- registered capital verification report
- audited annual accounts
- confirmation from the tax bureau of payment of tax or that the remittance is exempt from tax

Dividends paid by FIEs are exempt from income tax in China.

Verification of the Licences and Applications

Gansu Sino-Australian Mineral Resources Development Co. Ltd

From our search of the registers held by the Gansu Provincial Administration for Industry and Commerce we confirm that Gansu SAM Resources is a wholly-foreign owned enterprise registered in Lanzhou City, Gansu Province, China. It was established on the 24th December

2003 with registered capital of RMB 4,200,000. Its scope of business is the exploration and development of gold, copper, nickel, lead and zinc mineral resources.

The company is entitled to the benefit of certain preferential policies for investing in western China including being entitled to explore for mineral resources as a wholly foreign-owned enterprise rather than a Sino-foreign joint venture.

Licence No. 0100000510098

From our search of the register maintained by the Ministry of Land and Resources we can confirm that this licence was issued to Gansu SAM Resources on the 6th June 2005. The licence permits exploration for gold in an exploration area of 43.2 km^2 at Ma Yuan in the north of Xihe County, Gansu Province and has a term of 3 years.

The annual exploration fee is RMB 100/ km^2. The minimum exploration expenditure in the first year is RMB 86,400, in the second year is RMB 216,000 and in the third and subsequent years is RMB 432,000.

Applications

Qiu Mu Gou in Hui County and Fu Jia Zhuang in Cheng County

Telephone enquiries of the Ministry of Land and Resources, Department of Mining Management, Beijing have confirmed that Gansu SAM Resources submitted an application for an exploration licence to explore for gold and stibium in the above location. The application covers an exploration area of 93.2 km^2.

If successful, the exploration licence would have an annual exploration fee of RMB 100/ km^2, together with minimum exploration expenditure in the first year of RMB 186,400, in the second year of RMB 466,000 and in the third and subsequent years of RMB 932,000.

Yao Jia Da Shan in Xihe County

Telephone enquiries of the Ministry of Land and Resources, Department of Mining Management, Beijing have confirmed that Gansu SAM Resources submitted an application for an exploration licence for gold in the above location. The application covers an exploration area of 98.3 km^2 .

If successful, the exploration licence would have an annual exploration fee of RMB 100/ km^2, together with minimum exploration expenditure in the first year of RMB 196,600, in the second year of RMB 491,500 and in the third and subsequent years of RMB 983,000.

Liang Tiad Shan in Xihe County and Jian Shan Zi in Cheng County

Telephone enquiries of the Ministry of Land and Resources, Department of Mining Management, Beijing have confirmed that Gansu SAM Resources submitted an application for an exploration licence for gold in the above location. The application covers an exploration area of 73.8 km^2 .

If successful, the exploration licence would have an annual exploration fee of RMB 100/ km^2, together with minimum exploration expenditure in the first year of RMB 147,600, in the second year of RMB 369,000 and in the third and subsequent years of RMB 738,000.

Review of the Co-operation Contract

The principal features of the Co-operation Contract are:

- Gansu Qinqi Minerals holds exploration licences for four tenements in Gansu Province

- Gansu SAM Resources and Gansu Qinqi Minerals wish to conduct exploration activities in these four tenements to ascertain whether or not economically viable deposits are located in any of the tenements
- Gansu SAM Resources will provide the working capital required to conduct the necessary exploration activities
- Gansu Qinqi Minerals and Gansu SAM Resources intend to establish a Sino-foreign co-operative joint venture company (a "CJV") to explore the tenements and to exploit any viable mineral deposits
- Gansu Qinqi Minerals will contribute the exploration licences and certain other non-cash items to the CJV
- Gansu SAM Resources will contribute cash as its contribution to the CJV
- for 24 months from signing the contract or, if sooner, until the CJV is established, Gansu SAM Resources will pay Gansu Qinqi Minerals a monthly fee of RMB24,000 which will be applied towards the exploration costs
- Once the CJV has been established, the Gansu SAM Resources monthly payments may be applied towards its contribution to the CJV's registered capital
- If during the exploration phase, Gansu SAM Resources' due diligence on the tenements leads it to conclude that the tenements do not contain economically viable mineral deposits Gansu SAM Resources can cease further exploration activity and the parties can either bring in new partners or terminate the project

Following our review of the Co-operation Contract we have identified a number of issues which give rise to difficulties in the implementation of the proposed co-operation between Gansu SAM Resources and Gansu Qinqi Minerals. The principal issues are:

- ownership of the exploration licences
- Gansu SAM Resources' ability to invest in the CJV
- Gansu SAM Resources' ability to apply its monthly exploration cost payments towards the registered capital of the CJV

In the Co-operation Contract, Gansu Qinqi Minerals guarantees that it is the lawful owner of the relevant exploration licences, however, our search of the register maintained by the Gansu Land and Resources Department indicates that the exploration licences are registered under the name of a related entity, the No. 2 Geological Mineral Exploration Institute. The exploration licences should be transferred to Gansu Qinqi Minerals so that it can invest them in the proposed CJV.

Gansu SAM Resources is a foreign invested enterprise, an "FIE". Such companies are subject to restrictions on their ability to invest in other companies in China. In brief, an FIE may only invest in another company if it has fully paid up registered capital, it is generating a profit, it invests no more than 50% of its net assets in subsidies and there is no record of illegal activities in running the FIE. If Gansu SAM Resources cannot satisfy the above criteria it is not permitted to invest in another company and will be in breach of its contractual obligations.

Chinese regulations prescribe the nature of assets which can be used to subscribe for registered capital in a CJV. Permitted forms of contribution include cash, real property, equipment or other materials, industrial property and know-how. For foreign investors, the most common form of contribution is cash. Under the Co-operation Contract, however, it is proposed that Gansu SAM Resources convert an inter-company loan into equity. We are not aware of an investor being permitted to contribute its creditor's rights against the FIE to the FIE as its investment in the FIE's registered capital, although in principle we consider that this should be possible as the equivalent of a cash contribution. The difficulty in the case of Gansu SAM Resources, however, is that the inter-company debt which is to be converted into equity in the CJV is created before the CJV has been established. We do not see how an inter-company loan can be created with a company that does not exist at the time the loan is created.

Notwithstanding the difficulties referred to above we do not consider the Co-operation Contract invalid. The Co-operation Contract does provide for termination if the exploration of the tenements indicates that they do not contain economically viable deposits. It is not clear from the drafting, however, whether the decision to terminate the co-operation can be taken unilaterally by Gansu SAM Resources or must be a joint decision with Gansu Qinqi Minerals.

If Gansu SAM Resources improperly terminate the co-operation they would face liability for breach of contract of at least RMB 2,100,000 being amount of exploration expenditure committed to be Gansu SAM Resources. The amount of damages may be higher if Gansu Qinqi can demonstrate further direct losses arising from the breach of contract. We consider it unlikely that Gansu Qinqi would be able to succeed in a claim for loss of opportunity since all mineral exploration is very speculative, however, a court or arbitration tribunal may disagree with this view.

It would be prudent for Gansu SAM Resources to seek to renegotiate the Co-operation Contract to address the difficulties discussed above properly.

Yours Sincerely,

Partner Weiyanheng

Gansu Jincheng Law Firm

January 12, 2006

Webb Callaway Paton

Chartered Accountants

24 March 2006

The Board of Directors
A-Cap Resources Limited
Suite 510
Level 5 Pacific Tower
737 Burwood Road
HAWTHORN VIC 3122

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This report has been prepared at your request for inclusion in a Prospectus to be dated on or about 24 March 2006 for the offer to raise up to $5 million by the issue of up to 25 million shares at 20 cents each, in A-Cap Limited ("A-Cap"), a mining company investing in the exploration of minerals in Australia, China and Botswana, and for the proposed listing of A-Cap on the Australian Stock Exchange Limited ("ASX"). The proceeds of this offer will primarily be applied to funding of the exploration funding requirements on tenements held in Botswana and China as well as providing capital for further investments.

Expressions and other terminology defined in the Prospectus have the same meaning in this report.

Background

A-Cap Resources Limited was incorporated on 11 March 2003 as a limited liability company wholly owned by Cardia Technologies Limited, a public company listed on the ASX. On 25 March 2004 it was listed on the Newcastle Stock Exchange after raising funds by way of a pro rata offer to the members of Cardia Technologies Limited.

The principal activities of the company since incorporation has been for the exploration of valuable minerals such as gold, silver, diamonds and base metals including nickel, copper and uranium by the use of modern technology over previously explored territories in areas as diverse as Botswana, China and Australia.

Basis of Preparation

This report has been prepared to provide investors with information on the asset and liabilities of A-Cap. This report does not address the risks associated with the investment. We have not been requested to consider the prospects for A-Cap, the securities on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder, and accordingly, take no responsibility for those matters or any matter or omission in the Prospectus, other than responsibility for this report.

Purpose of Report

You have requested Webb Callaway Paton (hereafter referred to as "we") to prepare an independent investigating accountant's report in respect of:

1. The audited statement of financial position of A-Cap at 30 June 2005; and
2. The interim financial report of A-Cap for the half-year ended 31 December 2005 on which a review statement has been issued;
3. The unaudited pro-forma statements of financial position at 31 December 2005 immediately following the proposed capital raising, as set out in Section Three of the Prospectus;

In accordance with our terms of reference this report does not include any comment, analysis or opinion on the merits or risks associated with an investment made pursuant to this Prospectus. Investors and their professional advisers should make their own inquiries and assessment in respect of the future prospects of the proposed transaction. We disclaim any assumption of responsibility for any reliance on this report or other information to which it relates for any purpose other than that for which it was prepared. The Company's directors are responsible for the financial information contained in the annexure to this report.

Scope of Review

Historical Financial Information

The historic financial information has been prepared by the directors based on the A-Cap audited financial report for the year ended 30 June 2005 and based upon the accounts of A-Cap for the half-year ended 31 December 2005 on which a review statement has been issued. This 30 June 2005 financial information was extracted from the annual financial report of A-Cap for the year ended 30 June 2005 and was audited by Bentleys MRI. An unqualified opinion was expressed on this financial report. The 31 December 2005 financial information was extracted from the interim financial report of A-Cap for the half-year ended 31 December 2005 and was reviewed by Webb Callaway Paton. An unqualified statement was expressed on this report.

We have reviewed the audited and reviewed historical financial information set out in the annexure to this report. Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements to report whether, on the basis of the procedures described, anything has come to our attention which would cause us to believe that the financial information disclosed in the annexure is not properly drawn up in accordance with the basis of preparation set out therein.

Our review of the financial information has been limited primarily to inquiries and analytical procedures applied to the financial information, which has been sourced from the financial systems and records of A-Cap. These procedures do not provide all of the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit of the financial information and, accordingly, we do not express an audit opinion on this financial information.

Statement

Based on our review, nothing has come to our attention which causes us to believe that the historical financial information does not present fairly the actual state of affairs of A-Cap as at 30 June 2005 and of its financial performance for the year ended 30 June 2005 and the actual state of affairs as at 31 December 2005 and its financial performance for the half-year ended 31 December 2005.

Pro forma financial information

The pro forma consolidated statement of financial position immediately following completion of the proposed transaction, as set out in the Annexure to this report has been prepared by the directors based on:

- the audited consolidated statement of financial position as at 30 June 2005;
- the audited consolidated statements of financial performance and cash flows for the year ended 30 June 2005;
- the consolidated management accounts of the company for the half-year ended 31 December 2005 which have been subjected to a review in accordance with Australian Auditing Standards;
- the assumption that the proposed transaction is successful;
- the application of Australian Accounting Standards and other mandatory professional reporting requirements; and
- other information of relevance contained in the Prospectus.

We have reviewed the pro forma consolidated statement of financial position as set out in the Annexure to this report. Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review has been limited primarily to inquiries and analytical procedures applied to the financial information and consideration of information regarding the proposed transaction contained in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit of the financial information and, accordingly, we do not express an audit opinion on this financial information.

Statement

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma consolidated statement of financial position (as set out in the Annexure to this report) does not present fairly the state of affairs of the company immediately upon completion of the proposed transaction.

Subsequent Events

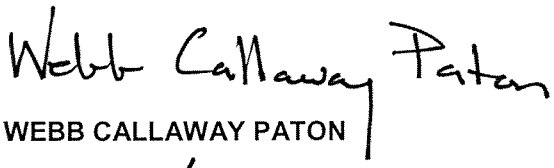
To the best of our knowledge and belief, there have been no material items, transactions or events subsequent to 31 December 2005 not otherwise disclosed in this report during the course of our review, which would require comment on, or adjustment to the content of this report, or which would cause the information included in this report to be misleading.

Independence

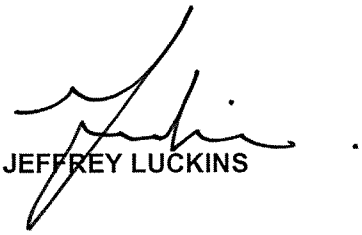
At the date of this report, neither Webb Callaway Paton nor Jeffrey Luckins has any interest in the outcome of the proposed transaction. We were not involved in the preparation of any other part of this Prospectus, and accordingly, make no representations or warranties as to the completeness or accuracy of any other part of the Prospectus.

The only relationship with A-Cap that exists is that Webb Callaway Paton, of which Jeffrey Luckins is an authorised representative, was elected as the auditor of the company at the Annual General Meeting held on 30 November 2005. Webb Callaway Paton is entitled to receive a fee for preparing this report under normal commercial terms and conditions. Neither the Directors of Webb Callaway Paton, nor any of our associates within the meaning of the Corporations Act 2001, hold or have any interest in any ordinary shares of A-Cap. Consent to the inclusion of the Independent Accountant's Report in this Prospectus in the form and context in which it appears has been given. At the date of this report consent has not been withdrawn.

Yours faithfully



WEBB CALLAWAY PATON



JEFFREY LUCKINS

Dated in Melbourne this 24th day of March 2006

Historical and Proforma Financial Information

Annexure

Consolidated Statements of Financial Position

	Notes	2005 [30 June] Audited $	2005 [31 December] Reviewed $	2005 [31 December] Proforma Minimum Subscription $	2005 [31 December] Proforma Maximum Subscription $
Current Assets					
Cash Assets	3	39,263	137,811	**3,350,919**	**5,250,919**
Receivables		84,517	115,494	**115,494**	**115,494**
Inventories		2,159	2,298	**2,298**	**2,298**
Other Financial Assets		72,000	-	**-**	**-**
Total Current Assets		197,939	255,603	**3,468,711**	**5,368,711**
Non-Current Assets					
Deferred Exploration and Evaluation		475,392	826,845	**826,845**	**826,845**
Total Non-Current Assets		475,392	826,845	**826,845**	**826,845**
Total Assets		673,331	1,082,448	**4,295,557**	**6,195,557**
Current Liabilities					
Payables	4	376,172	561,034	**561,034**	**561,034**
Total Current Liabilities		376,172	561,034	**561,034**	**561,034**
Total Non-Current Liabilities		-	-	**-**	**-**
Total Liabilities		376,172	561,034	**561,034**	**561,034**
Net Assets		297,159	521,415	**3,734,523**	**5,634,523**
Equity					
Parent Entity Interest					
Contributed Equity	5	668,959	1,048,502	**4,261,610**	**6,161,610**
Reserves		(1,717)	(3,827)	**(3,827)**	**(3,827)**
Accumulated Losses	6	(370,083)	(523,260)	**(523,260)**	**(523,260)**
Total Parent Entity Interest in Equity		297,159	521,415	**3,734,523**	**5,634,523**
Total Outside Equity Interest in Controlled Entities		-	-	**-**	**-**
Total Equity		297,159	521,415	**3,734,523**	**5,634,523**

The consolidated statement of financial position for the year ended 30 June 2005 has been extracted from A-Cap's audited financial report. The consolidated statement of financial position for the half-year ended 31 December 2005 has been extracted from A-Cap's reviewed interim financial report. The consolidated statements of financial position should be read in conjunction with the accompanying notes, with particular reference to the assumptions relating to the pro forma statement of financial position set out in Note 2.

Historical and Proforma Financial Information

Annexure

Consolidated Statements of Financial Performance
Year Ended 30 June 2005 [Audited] &
Half-Year Ended 31 December 2005 [Reviewed]

	Notes	2005 [30 June] Audited $	2005 [31 December] Reviewed $
Revenue from Ordinary Activities		**122,730**	**15,199**
Cost of Disposal of Deferred Exploration and Evaluation		**(61,619)**	**-**
Office Expenses		**(49,781)**	**(49,622)**
Listing Fees		**(19,140)**	**-**
Provision for Investment Write-down		**(35,910)**	**-**
Director and Executive Benefits		**(143,162)**	**(89,667)**
Exploration and Licence Registration		**(4,179)**	**-**
Travel and Marketing Expenses		**(51,180)**	**(9,063)**
Professional Fees		**(39,558)**	**(9,380)**
Net Foreign Exchange Gain/(Loss)		**508**	**(2,439)**
Other Expenses from Ordinary Activities		**(13,306)**	**(8,205)**
Loss from Ordinary Activities before Income Tax Expense		**(294,597)**	**(153,177)**
Income Tax Expense/(Credit)		**-**	**-**
Loss from Ordinary Activities after Income Tax Expense		**(294,597)**	**(153,177)**
Net Loss Attributable to Members of A-Cap Resources Limited	6	**(294,597)**	**(153,177)**
Increase/(Decrease) in Foreign Currency Translation Reserve		**(1,717)**	**(2,110)**
Total Revenue, Expenses and Reserve Adjustments Attributable to Members of A-Cap Resources Limited		**(1,717)**	**(2,110)**
Total Changes in Equity other than those resulting from Transactions with Owners as Owners Attributable to Members of A-Cap Resources Limited		**(296,314)**	**(155,287)**
Basic earnings per share (cents per share)	12	**(0.4)**	**(0.4)**

There are no options on issue.

The consolidated statement of financial performance for the year ended 30 June 2005 has been extracted from A-Cap's audited financial report. The consolidated statement of financial performance for the half-year ended 31 December 2005 has been extracted from A-Cap's reviewed interim financial report. The consolidated statements of financial performance should be read in conjunction with the accompanying notes.

Historical and Proforma Financial Information

Annexure

Consolidated Statements of Cash Flows
Year Ended 30 June 2005 [Audited] &
Half-Year Ended 31 December 2005 [Reviewed]

	Notes	2005 [30 June] Audited $	2005 [31 December] Reviewed $
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(200,924)	(80,387)
Interest received		1,230	2,802
Net Cash (Outflow) from Operating Activities	11	(199,694)	(83,189)
Cash Flows from Investing Activities			
Exploration Expenditure		(255,574)	(351,454)
Proceeds from Sale of Investments		10,463	84,398
Repayment of loans from related parties		-	(99,750)
Loans from related parties		-	92,285
Net Cash (Outflow) from Investing Activities		(245,111)	(366,806)
Cash Flows from Financing Activities			
Proceeds from capital raisings		-	379,543
Net Cash Inflow from Financing Activities		-	379,543
Net Increase/(Decrease) in Cash Held		(444,805)	95,926
Cash at the Beginning of the Financial Respective Year/Half-Year		492,578	39,263
Effect of exchange rates on cash holding in foreign currencies		(8,510)	2,622
Cash at the End of the Financial Respective Year/Half-Year	3	39,263	137,811
Non-Cash Financing and Investing Activities		-	-

The consolidated statement of cash flows for the year ended 30 June 2005 has been extracted from A-Cap's audited financial report. The consolidated statement of cash flows for the half-year ended 31 December 2005 has been extracted from A-Cap's management. The consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Historical and Proforma Financial Information

Annexure

Notes to the Financial Information

1. Summary of Significant Accounting Policies

Basis of preparation

The financial information included in this Annexure in respect of A-Cap has been prepared consistently throughout the reporting period in accordance with the measurement and recognition criteria of applicable Australian Accounting Standards, mandatory professional reporting requirements, the specific accounting policies detailed in this Note 1 and the adjustments and assumptions detailed in Note 2.

Certain of the disclosure requirements under the Corporations Act and applicable Australian Accounting Standards have not been included where the information would be disclosed is not considered material or relevant to potential investors.

As a small exploration company, A-Cap has experienced negative operating cash flows during the year ended 30 June 2005 and has ongoing commitments under its exploration licences.

The Directors intend to raise extra funds as and when required but acknowledge that the tenements are likely to be joint ventured, farmed out or relinquished thereby significantly reducing future commitments being the minimum expenditure required to maintain its portfolio of exploration tenements. Accordingly they have prepared the financial report on a going concern basis.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by A-Cap as at 30 June 2005 and the results of all controlled entities for the year then ended. A-Cap and its controlled entities together are referred to these notes to the financial information as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Foreign Currency Transactions

(i) Transactions
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

1. *Summary of Significant Accounting Policies* (Continued)

Foreign Currency Transactions (Continued)

(ii) Foreign Controlled Entities
Monetary assets and liabilities of integrated overseas controlled entities are translated into Australian currency at rates of exchange current at balance date, while revenue and expenses are translated at the average rates ruling during the year. Non-monetary assets and liabilities are translated into Australia currency at historic rates applicable at the time the asset or liability was first recognised. Exchange differences arising on translation of integrated foreign controlled entities are taken directly to the Statements of Financial Performance.

Foreign currency transactions of self sustaining overseas controlled entities are initially translated into Australian currency at the rate of exchange at the date of the transaction. Assets and liabilities are translated into Australian currency at rates of exchange current at balance date. Exchange differences arising on translation of the financial report of self-sustaining foreign controlled entities are taken to the foreign currency reserve. Upon disposal or partial disposal of the self-sustaining operations, the balance of the foreign currency reserve relating to the operation, or to the part disposed of, is transferred to retained profits.

Acquisition of Assets
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the statement of financial performance.

Revenue Recognition
Interest Income is recognised as it accrues.

Receivables
All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Collectibility of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

1. ***Summary of Significant Accounting Policies*** (Continued)

Recoverable Amount of Non-Current Assets
The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

Leases
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Investments
Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in this Note 1 under the heading of "Principles of Consolidation". The interest in a joint venture partnership is accounted for as set out in this Note 1 under the heading of "Joint Ventures".

Exploration, Evaluation, Development and Restoration Costs
Exploration, evaluation and development expenditure in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and are carried at cost.

The cost of the acquisition of an area of interest and exploration expenditure will be carried forward as an asset where:

I. It is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or by its sale; or

II. Exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made. Each area of interest is reviewed annually and accumulated costs written off to the extent that they will not be recoverable in the future.

Where there has been a decision to proceed with development, accumulated expenditure is amortised over the life of the associated resource once mining operations commence.

The costs of restoration obligations are proved for in full at the time of the activities which give rise to the need for restoration. Restoration costs include reclamation, site closure and monitoring of those activities, and are based on undiscounted prospective current cost estimates which satisfy anticipated legal requirements. Estimates of future costs are measured at least annually.

Where part of a joint venture is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the entity in the joint venture areas of interest, exploration expenditure incurred and carried forward prior to farmout continues to be carried forward without adjustment, unless the terms of the farmout are excessive based on the diluted interest retained. A provision is then made to reduce exploration expenditure to its recoverable amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

1. *Summary of Significant Accounting Policies* (Continued)

Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Joint Ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings.

Employee Benefits

(i) Wages and Salaries, Annual Leave and Sick Leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Superannuation
The amount charged to the statement of financial performance in respect of superannuation represents the contributions paid or payable by the consolidated entity to the employees' superannuation funds.

(iii) Employee benefit on-costs
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) Equity-based compensation benefits
Equity-based compensation benefits are provided to employees via an employee option plan. No accounting entries are made in relation to the option plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital.

Cash
For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

A-Cap will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS') for reporting periods beginning on or after 1 January 2005. Accordingly A-Cap's first half-year report prepared under A-IFRS was for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

A-Cap has completed an A-IFRS impact study, including the formulation of the A-IFRS accounting policies that are intended to be adopted from 1 July 2005. The likely impact of the accounting policy changes on the results and financial position of the Company has been determined.

The following pro forma statement of financial performance and statement of financial position outlines the impact on the current year result and financial position of the Company had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Users of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors to date and, consequently, the likely impacts outlined in the following pro forma financial statements.

1. Summary of Significant Accounting Policies (Continued)

Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

The directors may, at any time until the completion of the Company's first A-IFRS compliant financial report, elect to revisit and, where considered necessary, revise the accounting policies applied in preparing the pro forma financial statements.

Share based Payments

Current company policy is to expense any share-based payments made in connection for services received. The introduction of the new standard AASB 2: Share-based Payments, will require the Company to also expense any options granted to employees. There will be no effect to the accounts of the consolidated entity.

Income Tax

Currently, the parent entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the AASB 112, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than effects of the timing and permanent differences between taxable income and accounting profit. There will be no effect to the accounts of the consolidated entity.

Exploration and Development Expenditure

Under AASB 6, exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. There will be no material effect to the accounts of the consolidated entity.

Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy. There will be no effect to the accounts of the consolidated entity.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting polices are available. For these reasons it is not yet possible to quantify the impact of the transition to AIFRS on the Company's financial position and reported results, however no impairment adjustments were required for the interim financial report.

2. *Assumptions Applied in Preparing the Financial Information*

In addition to the significant accounting policies described in Note 1, the following assumptions and adjustments have been applied to the financial information:

Pro forma statement of financial position

The pro forma statement of financial position has been prepared to reflect the consolidated financial position of the company as at 31 December 2005 after accounting for material transactions subsequent to year-end that are associated with the Offer and Prospectus (assuming the minimum $3,000,000 raising). The pro forma statement of financial position has been compiled as if the following transactions and events had occurred as at 31 December 2005 inclusive of accounting for the effects of actual trading for the six months ended 31 December 2005 as per the published interim financial report.

Minimum Subscription

- The issue of 15,000,000 ordinary shares at $0.20 (20 cents) each in accordance with the Prospectus, and the receipt of proceeds from the Offer of $3,000,000;
- Payment of costs of the Issue charged directly to equity, $315,000 as set out in Section 3 "Offer and Key Dates" of the Prospectus of which this report forms part;
- Receipt of $500,000 raised from the issue of 10,000,000 ordinary shares for capital at 5 cents per ordinary share during October 2005;
- Receipt of $500,000 raised from the issue of 3,333,334 ordinary shares for capital at 15 cents per ordinary share during March 2006;
- Consolidation of the share capital on a three for four basis reducing the capital prior to completion of the issue from 90,064,268 (subsequent to the placement of 3,333,334 shares) to 67,548,201 shares;
- Payment of $25,000 of direct costs of the Issue for 10,000,000 ordinary shares charged directly to equity;
- Repayment of $99,075 in borrowings from Cardia as part of the loan agreement for further capital raisings;
- The issue of 2,986,805 ordinary shares at $0.20 (20 cents) each in accordance with the assignment agreement with Cardia (refer to note 10) which reimburses Cardia for the aggregate of past expenditures to 30 June 2002 in relation to the tenements currently held by A-Cap.

Maximum Subscription

- The issue of 35,000,000 ordinary shares at $0.20 (20 cents) each in accordance with the Prospectus, and the receipt of proceeds from the Offer of $5,000,000;
- Payment of costs of the Issue charged directly to equity, $415,000 as set out in Section 3 "Offer and Key Dates" of the Prospectus of which this report forms part;
- Receipt of $500,000 raised from the issue of 10,000,000 ordinary shares for capital at 5 cents per ordinary share during October 2005;
- Receipt of $500,000 raised from the issue of 3,333,334 ordinary shares for capital at 15 cents per ordinary share during March 2006;
- Consolidation of the share capital on a three for four basis reducing the capital prior to completion of the issue from 90,064,268 (subsequent to the placement of 3,333,334 shares) to 67,548,201 shares;
- Payment of $25,000 of direct costs of the Issue for 10,000,000 ordinary shares charged directly to equity;
- Repayment of $99,075 in borrowings from Cardia as part of the loan agreement for further capital raisings;
- The issue of 2,986,805 ordinary shares at $0.20 (20 cents) each in accordance with the assignment agreement with Cardia (refer to note 10) which reimburses Cardia for the aggregate of past expenditures to 30 June 2002 in relation to the tenements currently held by A-Cap.

3. *Cash*

	2005 [31 December] Pro Forma Minimum Subscription $	2005 [31 December] Pro Forma Maximum Subscription $
Cash as at 30 June 2005 (audited)	39,263	39,263
Gross proceeds of October 2005 capital raising	500,000	500,000
Gross proceeds of proposed March 2006 capital raising	500,000	500,000
Gross proceeds of this proposed issue	3,000,000	5,000,000
Prepayment at 31 December 2005 of costs incurred in proposed capital raising	28,108	28,108
Less		
Costs of the October 2005 capital raising	(25,000)	(25,000)
Costs of this proposed capital raising	(315,000)	(415,000)
Repayment of borrowings to Cardia	(99,075)	(99,075)
Net cash flow effect of other actual transactions for the six months ended 31 December 2005	(277,377)	(277,377)
Cash assets – pro forma	**3,350,919**	**5,250,919**

4. *Payables*

	2005 [31 December] Proforma Minimum Subscription $	2005 [31 December] Proforma Maximum Subscription $
Payables as at 30 June 2005 (audited)	376,172	376,172
Net effect of actual payment and payables transactions for the six months ended 31 December 2005	184,862	184,862
Payables as at 31 December 2005 (reviewed)	561,034	561,034
Less		
Adjusting entries for pro-forma transactions	-	-
Payables – pro forma	**561,034**	**561,034**

5. *Contributed Equity*

	2005 [31 December] Pro Forma Minimum Subscription $	2005 [31 December] Pro Forma Maximum Subscription $
Value of Equity on Issue		
Balance as at 30 June 2005	668,959	668,959
Add		
Gross proceeds of October 2005 capital raising	500,000	500,000
Less		
Accumulated costs of capital raisings	(120,457)	(120,457)
Equity on Issue at 31 December 2005	1,048,502	1,048,502
Add		
Gross proceeds of the proposed issue	3,000,000	5,000,000
Gross proceeds of the proposed March 2006 issue	500,000	500,000
Issue of capital to Cardia per assignment agreement	-	-
Less		
Costs of the proposed capital raising	(315,000)	(415,000)
Prepaid capital raisings costs already accounted for to 31 December 2005	28,108	28,108
Contributed equity value of shares – pro forma	**4,261,610**	**6,161,610**

Number of Ordinary Shares on Issue	Pro Forma Minimum Subscription No.	Pro Forma Maximum Subscription No.
Balance as at 30 June 2005 (audited)	76,730,934	76,730,934
Issue of capital in October 2005 capital raising	10,000,000	10,000,000
Proposed issue of capital in March 2006 capital raising	3,333,334	3,333,334
Proposed consolidation of shares on a three for four basis	(22,516,067)	(22,516,067)
Proposed issue of capital per this prospectus	15,000,000	25,000,000
Proposed issue of capital to Cardia per assignment agreement	2,986,805	2,986,805
Contributed equity number of shares – pro forma	**85,535,006**	**95,535,006**

6. Accumulated Losses

	2005 [31 December] Proforma Minimum Subscription $	2005 [31 December] Proforma Maximum Subscription $
Balance as per audited accounts at 30 June 2005 (audited)	(370,083)	(370,083)
Add		
Net Loss for the six months to 31 December 2005 as per management accounts (unaudited)	(153,177)	(153,177)
Accumulated losses – pro forma	**(523,260)**	**(523,260)**

7. Related Party Information

Directors

The names of persons who were Directors of A-Cap during the year ended 30 June 2005 were: P J Volpe, H J Stacpoole, P Pena and D Kong-Man Wan. Mr Stackpoole was appointed on 30 March 2005.

Specified Executives

Mr. J Wilson is the only other Specified Executive in his role as Company Secretary.

Particulars of Directors and Officer's Interest in Securities of A-Cap

The names of each of the directors and officers of A-Cap and the number, description and amount of securities presently held by each of them or on their behalf in the capital of A-Cap are set out below:

	Position Held	Shares in A-Cap
P. Volpe	Director	14,149,131
D. Wan	Director	2,011,500
H. Stacpoole	Director	1,296,477
P. Pena	Director	-
J. Wilson	Secretary	273,333

8. Investment in Controlled Entities

	Country of Incorporation	Class of Share	Equity Holding		Cost of Parent Entity's Investment	
			30.6.2005 %	31.12.2005 %	30.6.2005 $	31.12.2005 $
Gansu Sino-Australian Mineral Resources Development Co. Ltd	China	Ord	**100**	**100**	**101,090**	**101,090**
Cardia Mining Botswana (Pty) Limited	Botswana	Ord	**100**	**100**	**-**	**-**
					101,090	**101,090**

9. Events Occurring since 30 June 2005 Report Date

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

10. Contingent Liabilities

A-Cap and Cardia Technologies Limited ("Cardia") entered into an assignment agreement under which Cardia agreed to assign the whole of its right, title and interest in and to its mineral tenements and joint venture interests to A-Cap in consideration of A-Cap reimbursing it $167,950 for work carried out since 1 July 2002, and in consideration of A-Cap agreeing that on the admission of A-Cap at any future time to listing an Australian Stock Exchange Limited A-Cap will issue and allot to Cardia that number of shares in its capital which could be subscribed for by application of an amount of $597,361 in payment for those shares at a price to be determined as appropriate and set out below. By way of explanation the amount of $597,361 is the aggregate of past expenditure incurred by Cardia in relation to the tenements to 30 June 2002.

The issue price of the shares to be issued and allotted to Cardia shall be as follows:

(a) If A-Cap shall issue a prospectus in support of its application for admission to ASX then the issue price of each share shall be the issue price of shares under that prospectus.

(b) If A-Cap should seek to list on ASX without issuing a prospectus at the time to qualify it for admission to listing then the issue price of each share to be issued to Cardia will be the higher of A$0.20 or that price which is the average market price for all trades recorded on NSX in the 60 days prior to the date on which A-Cap shall make application for listing.

No other consideration shall be payable to Cardia for the assignment of the tenements and mineral interests and it is recorded that A-Cap has not undertaken to make application for admission to SX within any specific time frame. It is possible that, in adverse circumstances, A-Cap may fail to achieve a sufficient level of success such as to merit application for admission to ASX or that economic circumstances may be such that it is unable to raise funds to enable it to make any such application or to otherwise comply with the requirements for listing on ASX. In those circumstances, Cardia would have, in effect, transferred and assigned its mineral interests for no consideration. It should be noted that the consideration is not a debt, but represents a contingent obligation to issue shares in its capital to Cardia.

10. Contingent Liabilities *(Continued)*

Magogaphate Tenement Acquisition

Although A-Cap acquired a 100% interest in the Magogaphate group of tenements in Botswana from Cardia, Mineral Holdings Botswana (Pty) Ltd has retained a 5% net profits share. A-Cap therefore, has a contingent liability to that Company should it establish a profitable mining operation on those tenements.

11. Reconciliation of Operating Loss after Income Tax to Net Cash Outflow from Operating Activities

	2005 [30 June] Audited $	2005 [31 December] Reviewed $
Operating Loss after income tax	(294,597)	(153,177)
Gain on disposal of exploration interest	(59,881)	-
Other non-cash movements	-	(4,732)
Provision for write down of investment	35,910	(12,398)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	8,814	(31,116)
(Increase)/decrease in other operating assets	(86,676)	-
Increase/(decrease) in creditors	54,947	236,326
Increase/(decrease) in provisions and other liabilities	141,789	48,286
Net cash (outflow) from operating activities	**(199,694)**	**83,189**
Information of Non-Cash Financing and Investing Activities	-	-

SECTION SEVEN

BUSINESS AND INVESTMENT RISKS

RISK FACTORS

The business operations of each of the Company and any such entities will be subject to risks, which may impact adversely on its future performance. These risks may adversely affect the value of the relevant entity's assets and this may affect the value of any shares in the Company.

The primary risk that members of the Company are subject to is that the Company is raising limited funds, which are sufficient only for limited purposes.

In the event that those drilling programs are not successful, or even if they are, the Company may have limited financial resources available to it without raising further capital.

In the event that the programs are unsuccessful the Company should be regarded as having a limited future with potentially serious and adverse consequences for its investors.

Other risks associated with investment in the Company include:

Share Market Risks.

Potential investors should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment

Investment Risks Generally.

Risks of a general nature relating to investment in shares and securities generally and especially where the company in which the investment is made has a small market capitalisation.

Risks Related to Investment in Resources.

Exploration and/or development of resources generally are subject to high levels of risk.

Sovereign Risk.

The Company's exploration activities will be primarily carried out in the Botswana and to a lesser extent in China. As a result, the Company will be subject to political, economic and other uncertainties including, but not limited to, changes in policies or the personnel administering them, foreign exchange restrictions, currency fluctuations, royalties and tax increases in that country. Additionally, political risks exist.

Fiscal Risks.

These involve the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies, the interpretation and application thereof.

Currency Exchange and Other Risks.

Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations of international currency exchange markets. Foreign taxes, limitation on repatriation of earnings, compliance with foreign accounting and business laws, and cultural differences, carry a certain amount of risk. Fluctuations in exchange rates may adversely affect the Company.

Macro Economic and Political Factors.

Apart from exchange risks there are a wide range of other macro economic and political factors beyond the control of the Company which will affect the Company's operations including the consequences of terrorist and other activities which themselves impact adversely on the global economy, demand for and supply of commodities and share market conditions and share prices generally.

Commodity Price Risks.

Commodities are subject to high levels of volatility in price and demand. Whilst gold, uranium and base metal prices are currently at attractive prices, these commodities are subject to fluctuation in price depending on production levels and demand. The prices of these commodities will have a direct effect on whether reserves are able to be established in relation to any project as the price received for production will have a direct impact on the economic viability of any proposed mining operation. Reserves are the economically mineable part of a Measures and/or Indicated Mineral Resource within the meaning of the JORC Code. The term "economically mineable" implies that the extraction of the ore reserve has been demonstrated to be viable under reasonable financial assumptions and these assumptions include, but are not limited to, the projected prices at which any ore produced can be sold as well as the capital and operating costs of recovery.

Sufficiency of Funding

If the Issue is fully subscribed, the Company will have sufficient funds to continue operations for up to 2 years depending on expenditure levels on its tenements. Provision has been made in the Application of Funds Statement for expenditure for the period ended 30 June 2007. Expenditure subsequent to that date will depend on results of work carried out.

At the present time, in Botswana, the Company is primarily focussed on the Maibele North Nickel project, the Jim's Luck project and its prospective uranium licences.

The adequacy of funding for ongoing operations will depend in large part on results being derived. The Company will carry on a policy of surrender or part surrender of tenements which, after review, are not regarded as sufficiently prospective to merit further exploration. This will have the effect of reducing expenditure on various projects but the converse is also true: if exploration success is achieved, then the Company will wish to expand its expenditure in relation to projects which are successful.

Generally, while the funds raised through a full subscription of the issue will meet the Company's operational requirements of up to two years dependent upon expenditure levels, the achievement of all of objectives of the Company in relation to the development of its operations in Botswana and, to a lesser degree, China will require additional capital.

As the Company is in an exploration phase in relation to its activities, it is unlikely to be able to use debt finance to fund expansion of its operations after the proceeds o the issue have been used and no assurance can be given that the Company will be able to raise additional equity funding for that purpose.

Any additional funding raised by way of equity will be dilutive of shareholders' interests unless issues are made on a pro rata basis and shareholders are able to fund the acquisition of any pro rata entitlement. No assurance can be given that future issues will be pro rata. If debt financing is available, the terms of which it may be available may be restrictive: limiting the Company's operations generally.

The failure to raise additional capital as and when needed could materially adversely affect the Company's operations and, consequently, the interests of shareholders.

Risk as to Profitability.

The Company is not presently profitable and may never be so. The ability of the Company to pay dividends will depend on it generating revenue and then deriving sufficient after-tax profits to be able to do so.

Management Competency.

The future success of the Company will be primarily dependent on the competency of the operators of the Company's various projects and on each operator's capacity to manage day-to-day operations. The Company's future growth will also be dependent upon engagement of management capable of managing and expanding its operations beyond the present projects.

Contract Risks Generally.

The Company's subsidiaries operate through a series of contractual relationships with operators and sub-contractors. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed.

Litigation.

Neither the Company nor any of its subsidiaries are presently involved in litigation and the Directors are not aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.

Regulatory Risks.

Operations by the Company may require approvals from regulatory authorities which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company.

While the Company has no reason to believe that all requisite approvals will not be forthcoming and whilst the Company's obligations for expenditure will be predicated on any requisite approvals being obtained Applicants should be aware that the Company cannot guarantee that any requisite approvals will be obtained.

A failure to obtain any approvals would mean that the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

Production Risks.

At this stage the Company does not have any defined resources within the meaning of the JORC Code: no reserves have been defined or delineated and no feasibility studies have been commissioned or carried out.

Consequently, the Company is not yet at a stage where it is able to give an assurance that it will achieve production from any of the projects referred to in this Prospectus. Before production can be achieved, reserves will need to be defined within the meaning of the JORC Code and feasibility studies in relation to proposed mining operations commissioned and carried out. Commodity prices which are referred to above will impact on the definition of any resources or reserves and fluctuations in commodity prices will have an effect on the establishment of resources and/or reserves and on whether any resources can be demonstrated to be mineable on a viable basis.

When, and if, reserves have been delineated, the capacity of the Company to achieve production will then depend on a wide range of factors including capital costs and operating costs that may be applicable to the individual projects and the capacity of the Company to fund those costs.

If production is achieved then unanticipated problems may increase extraction costs and reduce anticipated recovery rates.

Drilling Risks.

Risks in relation to future drilling include break-downs and the risk of a failure to develop reserves.

Environmental Risks.

The requirement that following cessation of production from operations, the Company will be required to participate in clean-up programs resulting from any contamination from operations in which it participates, removing disused plant and equipment and, where necessary, restoring land that has been disturbed in the course of operations.

The cost of any environmental cleanup may be considerable if operations result in significant environmental liabilities being incurred. In such a case, any allowance made for rehabilitation in the cash flow projections would be inadequate.

Climatic Risks.

The risk of adverse weather conditions that may affect production and exploration.

Operational Risks.

These include the possibility of environmental accidents, the risk of unexpected mechanical failure or equipment breakdown resulting in loss of production and additional expense generally, unexpected interruption to or imposition of onerous conditions on access, industrial disputes and resultant increases in costs of operation.

Discovery Risks.

Any discovery may not be commercially viable or recoverable: that is no resources within the meaning of the JORC Code may be able to be established and it may be that consequently no reserves can be established. See “Production Risks” and “Commodity Price Risks” referred to above.

Tenement Risks.

To the extent that various of the Company's tenements in Botswana are subject to renewal subsequent to 30 June 2006 or to grant, a risk must exist that some or all of the Magogaphate tenements will not be renewed by the regulatory authorities. The Company is, however, not aware of any reason why the tenements would not be renewed.

Application Risks.

To the extent that the Company may apply for additional tenements in Botswana, the risk exists that those tenements may not be granted or that they may be offered for grant subject to conditions which are unacceptable to the Company.

These risks are not necessarily exhaustive and Applicants should realise that any company with resource-based operations is subject to a wide range of risks many of which may not be foreseeable.

SECTION EIGHT

GENERAL MATTERS

MATERIAL AGREEMENTS

Neither the Company nor its subsidiaries have entered into any material agreements other than in the ordinary course of its business which material contracts remain uncompleted or relevant to investment in the Company pursuant to this Prospectus other than as set out below.

The Company is not a party to any of the agreements referred to below nor has it guaranteed or provided any security for the performance by any of its subsidiaries of any of the obligations contained in the agreements detailed below.

(a) **Farmout of Hodgkinson Basin Prospects**

Under this farmout agreement Cardia previously farmed out its interest in the Reedy tenements, the Campbell Creek tenement and the Hurricane South tenement and retained a 4% working interest therein.

(b) **Jim's Luck Farmin Agreement and Joint Venture**

By an agreement between Gallery Gold Botswana (Pty) Ltd (a subsidiary of Gallery) ("GGB"), Mineral Holdings Botswana (Pty) Ltd ("MHB") and Cardia ("the Jim's Luck Joint Venture") GGB farmed into the Jim's Luck Prospecting Licence No 140/94 covering an area of 24.2km2 located in the Francistown District subject to all requisite approvals under the Mines and Minerals Act (Act No 17 of 1999) of Botswana.

Under the Jim's Luck farmin agreement, Cardia and its joint venture partner MHB farmed out an interest in the Jim's Luck Prospecting Licence to GGB. Under the terms of the farmout GGB initially earned a 60% Participating Interest in the tenement by having expended in excess of BWP750,000 (approximately A$221,250) on operations during Phase 1 of the earning period. GGB has maintained its interest and with further expenditure on the tenement has increased its interest to an 80% participating interest with the Company having a 20% participating interest.

The agreement provides for transfer of interests and provides that during the earning period GGB will act as manager for so long as it is sole contributor towards expenditure and thereafter while it holds a Participating Interest greater than or equal to any other party. From a practical point of view this means that, GGB has earned its initial 60% interest and it will retain its position as manager unless it elects to withdraw from the project at some future time.

Based on anticipated expenditure for the period ended 30 June 2004, A-Cap has provisioned an amount of $62,500 against that expenditure in relation to its 20% interest with the intent of maintaining that interest undiluted. Actual budgets and work programs may require a greater or lesser expenditure by A-Cap to maintain its interest.

Under the terms of clause 6, GGB has certain obligations and rights: including that it receives a management fee equal to 10% of expenditure attributable to operations and this 10% constitutes part of its expenditure on its earning entitlement. However, GGB as manager must keep the tenement in good standing under the Act with respect to statutory reporting and exploration expenditure during the earning period.

In accordance with the terms of clause 5.4 of the Jim's Luck Joint Venture any party thereto is entitled to transfer its Participating Interest thereunder to a company nominated by it where the assignment of the interest is for the purpose to enable a capital raising by the assignee.

A joint venture agreement entered into between the parties in December 2003 reflects that agreement. The Joint Venture is otherwise in standard terms.

(c) **Farmin to Magogaphate Gold and Base Metals Tenements**

Under an agreement with Mineral Holdings Botswana (Pty) Ltd (MHB) A-Cap is entitled to all of the Magogaphate Tenements subject to a 5% net profits share in favour of MHB in relation to all of the tenements in Botswana except PL18/2004 being the Jim's Luck prospect.

Under the Agreement control of work programs, budgets, finance and expenditure are under the continuing control of A-Cap on completion of the assignments. That control extends to mining operations in relation to any of the tenements.

(d) **Assignment Agreements between Cardia as assignor and A-Cap as assignee**

In December 2003 A-Cap and Cardia entered into an assignment agreement under which Cardia assigned the whole of its right, title and interest in and to its mineral tenements and joint venture interests in Botswana and Australia to A-Cap in part in consideration of A-Cap agreeing that on the admission of A-Cap at any future time to listing on Australian Stock Exchange Limited, A-Cap will issue and allot to Cardia that number of shares in its capital which could be subscribed for by application of an amount of $597,361 in payment for those shares at a price to be determined as appropriate as set out below. By way of explanation the amount of $597,361 is the aggregate of past expenditure incurred by Cardia in relation to the tenements assigned to A-Cap up to 30 June 2002.

The interests assigned included Cardia's then 20% interest in the Jim's Luck project together with all of the other Magogaphate Tenements then held by Cardia. The issue price of the shares to be issued and allotted to Cardia shall be as follows:

- if A-Cap shall issue a prospectus in support of its application for admission to ASX then the issue price of each share shall be the issue price of shares under that prospectus.

- If A-Cap should seek to list on ASX without issuing a prospectus at the time to qualify it for admission to listing then the issue price of each share to be issued to Cardia will be the higher of A$0.20 or that price which is the average market price for all trades recorded on NSX in the 60 days prior to the date on which A-Cap shall make application for listing.

Cardia intends that the $597,361 will be converted to equity as set out in the table in Section Three detailing the capital structure as it is anticipated to exist on completion of the issue.

(e) **Contract of Cooperation with Gansu Qinqi Minerals Company Limited**

This agreement is referred to in some detail in the report by Gansu Jincheng Law Firm.

The agreement which is described as a contract of co-operation in exploration and development of gold and poly-metal mineral resources in certain areas of Gansu Province was entered into on 17 December 2004 between Gansu Qinqi Minerals Company Limited ("Qinqi") and the Company's subsidiary, Gansu Sino-Australian Mineral Resources Development Co., Ltd ("Gansu") to provide co-operation between the parties in development [of tenements] in 2 phases called "Risk Survey" and "Development and Operation".

The co-operation area is defined as Qinqi's mining areas although the mining areas in the co-operation area notwithstanding that, at this stage, those tenements are held by another entity as referred to in the report by Gansu Jincheng Law Firm.

Under Article 4, 4 exploration permits are designated provided any other areas which may be selected must be jointly selected.

Under Article 5, the parties agree to enter into the exploration and development phase in 2 stages.

In the exploration phase both parties are to carry on the exploration phase in accordance with pre agreed and authorised budgets and to incorporate the co-operative joint venture whereupon the obligations of the project will be automatically succeeded to by the incorporated entity.

The exploration rights provided by Qinqi and RMB2.1 million to be invested by Gansu constitute the investment contribution to the joint venture with Qinqi holding 30% and Gansu holding 70%. With further expenditure under the development and operation phase Gansu's interest can increase to 85% with Qinqi's interest diluting. Article 6 provides for an exploration budget to be prepared and

approved by both parties for exploration activity to be undertaken over a 2 year period. Those budgets have not yet been prepared and approved.

Article 6 provides that the contribution by Qinqi being the exploration rights, local knowledge and information on the areas represents its equity contribution for its 30% interest.

As indicated in the report by Gansu Jincheng Law Firm these tenements are not in the name of Qinqi and seemingly have not been contributed at this stage: although presumably because of the relationship between the parties (Qinqi and the holder of the tenements) they could be with requisite Chinese government approvals.

The contract provides in Article 6 that Gansu must commence operation within 6 months of the date of the agreement and it has carried out various works.

Importantly, in Article 6 the contract provides that "…should at any time during the exploration phase the result achieved indicate that there is no potential for economic or normal commercial operations, then further exploration activity or commercial development can be ceased by…[Gansu]. Both parties may seek other joint venture partners or cease the project within 12 months. There will be no liability or requirement for either parties to continue funding. Both parties confirm that this arrangement is in the mutual interests of both Parties and is the pre-condition of the mutual co-operation."

The significance of this provision in Article 7 is referred to in the report by Gansu Jincheng Law Firm under the sub-heading "Review of the Co-operation Contract" in their report. Notwithstanding this, and notwithstanding that Gansu Jincheng Law Firm have identified various issues which give rise to "difficulties in the implementation" of the proposed co-operation contract, it appears that while this right may be given by Article 6, that is not necessarily a right given by it to unilaterally terminate the co-operation contract.

Article 7 purports to given Gansu "exclusive negotiation right and exclusive investment right within the co-operation area" and provides if Gansu decided to give up certain exploration areas after the project is begun and notifies Qinqi in writing then "the right of exploration in connection with the co-operation project" shall be disposed of by Gansu (presumably in relation to that part or all of the tenement area relinquished). Article 7 specifically provides that "the cash capital contributed by" Gansu and the "contribution of existing exploration rights" by Qinqi shall be deemed and debited as the actual investment made by those parties regardless that "they had been made before or after the incorporation of CJV". This is an issue addressed by Gansu Jincheng Law Firm in their report. Article 7 further provides for Gansu to pay Qinqi RMB24,000 per month during the "geological information due diligence period before the incorporation of the CJV" which monies are to be paid as a deposit for preserving the priority right to negotiation for Gansu. The contract provides that when Gansu begins the exploration phase or when it is required to make its contribution capital to the incorporated CJV the deposit shall be set off as part of the funding budged of RMB2.1 million or used for payment of the registered capital subscribed by Gansu.

Article 7 contemplates that if Gansu decides not to participate in the project, the payment will cease immediately and that Gansu is to notify Qinqi when it has completed its due diligence on its decision to proceed or otherwise. If Gansu does not proceed it does not need to continue with further payments of RMB24,000. At this stage due diligence has not been completed on the projects and at this stage Gansu has not made all payments required to be made pursuant to Article 7 during the due diligence phase.

Article 7 provides that once both parties find minerals suitable for development through the exploration phase (which follows the due diligence phase) the co-operation agreement enters into the development and operation phase.

Article 8 provides the steps under which the co-operation agreement will be implemented and provides that the due diligence will include a field evaluation which should be completed by the end of December 2005 and contemplates that the exploration phase will commence at the end of the due diligence period. The co-operation agreement provides in Article 8 that operation and management of the incorporated joint venture shall comply with the Company Law of the Peoples' Republic of China, the Law of the Peoples' Republic of China on Chinese-Foreign Contractual Joint Ventures and other relevant laws and regulation as well as international customs and practice and the law as governs in the Commonwealth of Australia and provides for the parties to discuss and arrange details of directions' operations and management issues.

Force Majeure is defined in accordance with Article 117 of the Contract Law of the Peoples' Republic of China and the definition in the joint venture specifically refers to "all the events which happen after the conclusion of this Contract, and that is unforeseeable, unavoidable and insurmountable hindering either party from fully or partially performing this Contract".

Article 10 provides that suspension of performance during delay caused by force majeure is not a breach and provides the parties will agree on a fair solution through discussions.

The contract provides liability for breach of contract in Article 11 and provides for dispute resolution before a panel of 3 arbitrators of the China International Economic and Trade Arbitration Commission for arbitration in Beijing pursuant to existing valid arbitral awards.

As a result of the issue raised by Gansu Jincheng Law Firm, the Company proposes to carry out further discussions with Qinqi in an endeavour to resolve those difficulties.

(f) **Agreement with Broker to the Issue**

A letter agreement dated 20 January 2006 between the Company and Bell Potter Securities Limited as Broker to the Issue provides that Bell Potter Securities Limited (the "Sponsoring Broker") will act as Sponsoring Broker to the issue.

Subsequent thereto and by a further letter of 23 February 2006 the Sponsoring Broker agreed to raise an amount of $500,000 for the Company by the issue of 3,333,334 shares in the capital of the Company at an issue price per share of $0.15 with those monies being raised from excluded offerees in accordance with the provisions of Section 708 of the Act on the basis that those funds will be raised and shares allotted prior to the issue of the prospectus and act as Sponsoring Broker on the bases, first, that the Issue was as set out herein, secondly, that the Company despatch a notice calling a meeting of its members to pass a resolution consolidating the capital of the Company on the basis that each 4 shares shall be consolidated into 3 shares prior to close of the Issue and, thirdly, that the Company obtains statements of intent from major shareholders holding in excess of 50.1% of the issued capital of the Company that they intend to vote in favour of the resolution to consolidate the capital, and, fourthly, that the Company closes the issue not earlier than 3 business days after the passing of the resolution to consolidate the capital of the Company.

On the above bases Bell Potter agreed by that letter to use its best endeavours to cause the issue to be successful so as to raise the minimum amount of $3,000,000 under the issue ($3,500,000 with the monies referred to in item 1) and so as to achieve spread in accordance with the listing requirements of ASX .

The terms of the obligation of the Sponsoring Broker to act as Sponsoring Broker were dependent upon the provision of the final draft copy of the prospectus in a form acceptable to the Sponsoring Broker, review of legal due diligence sign-off letter and acceptance by the Company of the terms on which Bell Potter would act as Sponsoring Broker.

The agreement constituted by both the letter of 20 January 2006 as amended by the letter of 23 February 2006 makes it clear that the Sponsoring Broker is not acting as an underwriter but that the Sponsoring Broker will use its best endeavours to achieve "a successful capital raising Offer" by which the Company understands that the Sponsoring Broker will use its best endeavours to achieve a successful capital raising.

The Sponsoring Brokers agrees to use its best endeavours to work with all parties to achieve the completion of the capital raising in accordance with a timetable to be agreed: which is the timetable set out in this prospectus. Under the agreement the Sponsoring Broker's roll includes in assisting in review of any communication by the Company to the market, raising the profile of the Offer with the Sponsoring Broker's clients who are already shareholders in the Company and facilitating presentation of the offer to the Sponsoring Broker's network.

Under the agreement, A-Cap will pay the Sponsoring Broker a total fee of 5% on the value of equity raised under the Prospectus. These monies will be payable out of the proceeds of the Issue within 5 business days after the successful completion of the offer. The fees are exclusive of GST. The Company agrees to pay the Sponsoring Broker reasonable disbursements including in relation to legal fees incurred by the Sponsoring Broker. Under the agreement, the Sponsoring Broker must advise the Company before incurring expenses.

Under the agreement, the Sponsoring Broker's appointment is an exclusive engagement until 30 June 2006: however either party may terminate the agreement on 7 days' written notice.

The Company acknowledges that it will take full responsibility for the contents of the Prospectus issued in relation to the offer and the Company indemnifies the Sponsoring Broker, its officers, employees, agents and advisers ("Indemnified Party"), and must keep each Indemnified Party indemnified against all liability and loss arising from, and all costs, charges and expenses incurred in connection with:

- the Offer;
- any statement in the Prospectus issued in relation to the Offer that is false or misleading, or any omission from such documents; or
- any conduct by a person in connection with the Offer that is false or misleading or likely to mislead or deceive,

except to the extent that such liability and loss was the result of the Sponsoring Broker's negligence or wilful misconduct, breach of contract and/or fraud.

The reference to costs and expenses includes, but is not limited to, a reference to legal costs and expenses on a full indemnity basis.

RIGHTS AND LIABILITIES ATTACHING TO SHARES IN THE COMPANY

While the Issue is an issue of Options to acquire ordinary shares, it is appropriate to set out a summary of the more significant rights attaching to the Company's shares is set out below. This summary is not exhaustive nor does it constitute a definite statement of the rights and liabilities of the Company's members. To obtain such a statement, Applicants should seek independent legal advice.

(a) Ranking. The Shares will be ordinary shares and will rank equally in all respects with the existing ordinary shares in the Company.

(b) Partly Paid Shares and Liability for Calls. Members holding partly paid shares will be liable to pay calls and make contributions in the event of the winding up of the Company in like manner as holders of partly paid shares in any other company limited by shares. At present there are no partly paid shares on issue.

(c) Reports and Notices. Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Act.

(d) General Meetings. Members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Act and the Constitution of the Company.

(e) Voting. At a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one member then on a show of hands that person shall have only one vote and not one vote for each person represented by him.

A member who holds a share that is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the Share.

(f) Dividends. The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to members according to their rights and interests.

(g) Reduction of Capital. The Company may only reduce its capital in such manner as may be permitted by the provisions of the Act from time to time.

(h) Borrowing and Lending Powers. The Company may borrow and lend in such manner as may be permitted by the provisions of the Act from time to time.

(i) Winding Up. Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

(j) transfer of shares. Subject to the Constitution of the Company and the Act the shares will be freely transferable.

(k) Future Increases in Capital. The allotment and issue of shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Constitution of the Company and the Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

(l) Variation of Rights. The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.

(m) Directors. The Constitution of the Company contains provisions relating to the rotation of Directors (other than managing directors and alternate directors).

ADDITIONAL INFORMATION

(a) **Corporate Governance**

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals and monitoring of the business and affairs of the Company on behalf of its members.

Given that the Company is small, with limited activities and limited resources and has a board of four directors, it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review and operations and remuneration. These issues will be dealt with by the board acting as a committee in relation to the various areas or issues required to be considered with any interested directors abstaining or being absent as required either by the Act or as necessary to avoid conflict or possible breach of their fiduciary duties.

The board has, however, established one committee: namely the Audit and Compliance Committee, details of which are set out below.

(b) **Audit And Compliance Committee**

The members of this Committee are Patrick Volpe (Chairman) and John Wilson (Company Secretary). The Audit and Compliance Committee is a Committee established by the Board to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its Statutory reporting requirements.

The Board believe that having raised funds from the public, it has a responsibility to ensure independent accountability exists. The focus of the activities of this Committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

(i) Objectives

The objectives of the Committee are as follows:

- Provide enhanced public confidence in the credibility and objectivity of financial information released to the public.
- Demonstration of the Board's intention to exercise due care in reviewing financial information and in fulfilling legal responsibilities.
- Improved quality of financial reporting.
- Augment non Executive Directors' knowledge and understanding of financial information.
- Increase focus on the corporate risk profile of A-Cap Resources Limited including the level of authority delegated to management by the Board.

- Provide an insight to the Directors of the Company in respect to the accounting and control systems that exist within the Company and management action to maintain and improve them.
- Assist the Finance Director/Financial Controller by providing a forum in which to raise issues of concern.
- Increase Directors' understanding of the nature and scope of the statutory audit and where applicable, internal audit.
- Provide a framework within which the external Auditors can assert their independence in the event of a dispute with management.
- Strengthen the position of the internal audit function, by providing a greater degree of independence from management.
- Provide improved communication between the external Auditor and the Board.

(ii) Responsibilities

The Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory and listing requirements and issues relating to internal and external Audit. In addition, the Committee shall examine any other matters referred to it by the Board.

The duties of the Committee are as follows:

- reviewing financial statements and other financial information distributed externally and determine whether or not to recommend their acceptance by the Board;
- monitoring corporate risk assessment and internal controls instituted and implementing internal controls to manage those risks;
- monitoring the establishment of an appropriate internal control framework, including information systems and considering enhancements;
- reviewing internal and external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the nomination and performance of the external Auditors;
- liaising with the external Auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- monitoring the procedures in place to ensure that the Company is in compliance with the Corporations Act 2001, Listing Rules, its Constitution and other legislative and reporting requirements. This includes implementing a reporting system that meets formulated standards for public announcements made by the Company to ensure that shareholders and financial markets are adequately and properly informed in order to meet the continuous reporting requirements of the Corporations Act 2001 and the Listing Rules;
- reviewing reports on any major defalcations, frauds and thefts from the Company;
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities;
- ensuring that a corporate Code of Ethics is established and periodically reviewed;
- initiating and supervising special investigations;
- reviewing risk management practices;
- reviewing policies to avoid conflicts of interest and reviewing past or proposed transactions between the Company and members of management;
- reviewing related party transactions and considering the adequacy of disclosure of those transactions in the financial statements;
- reviewing reports on certain aspects of the Company's superannuation plan and compliance with relevant laws and regulations;
- reviewing reports on the adequacy of insurance coverage;
- formulate, review and monitor compliance with and investigate allegations of a breach of appropriate internal controls and reporting standards, mechanisms and procedures to ensure that the Broad is informed at all times of all material corporate governance matters effecting the Company; and
- formulate and update, for submission to the Board for its approval, a statement of corporate governance principals and other associated documents dealing with, amongst other matters:
- the structure and responsibilities of the Board;

- the proper relationship between the Board and management including the proper relationship between the roles of Chairman and Managing Director;
- the responsibilities of management;

- the proper relationships between the Company and its shareholders, suppliers and customers and employees;
- business dealings, in particular related party transactions, by Directors, management and employees giving rise to actual or potential conflicts of interest and their appropriate disclosure of such dealings;
- ethical and other matters considered by the Committee to be relevant to good corporate governance practice;
- to monitor compliance with the statement and to review or investigate allegations of a breach of the statement or of good corporate governance practice and to report to the Board in respect of such compliance, reviews and investigations at least annually, or more frequently if circumstances require;
- to formulate for Board approval and review and to facilitate the implementation of appropriate procedures to enable individual Directors to have access to independent professional advice, as considered necessary, in respect of corporate governance matters; and
- to act as a resource for individual Directors and the Company as a whole on questions of corporate governance and corporate ethics, including providing decisions and/or advice on such matters as are referred to the Committee by the Chairman of the Board or the Managing Director.

(c) **Dividend Policy**

The Company will not pay dividends in the foreseeable future. The Company does not derive any operating revenue and is not presently profitable.

(d) **Consents**

Peter Temby and Anpet Exploration Pty Ltd have each given and not withdrawn their written consent for Anpet Exploration Pty Ltd to be named in the Prospectus as independent geologist to the Company in the form and context in which it is so named. In addition, they have each given and not withdrawn their written consent to the despatch of the Prospectus with Anpet Exploration Pty Ltd's independent geologist's report as contained therein being included therein and to references thereto being included either expressly or by inference therein in the form and context in which they are included. Such references appear in the Chairman's Letter, the Investment Overview, Section Three detailing the offer and key dates, Section Four detailing the Company's current operations generally but in particular in relation to the section dealing with uranium deposits in the Mokobaesi area and in Section Eight dealing with general matters.

Peter Temby and Anpet Exploration Pty Ltd also have each consented to the Company making statements in the prospectus as contained therein based on or stated to be based on statements made by either of them with those statements being included in the form and context in which they are included in the prospectus. Neither Peter Temby and Anpet Exploration Pty Ltd have had any involvement in the preparation of the Prospectus other than the inclusion of Anpet Exploration Pty Ltd's report and all such references thereto and the inclusion of all statements based on that report or stated to be based on statements made by either of them in the report and neither of them have given any professional or other advice in respect of any other part of the Prospectus. Neither Peter Temby or Anpet Exploration Pty Ltd accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of the Prospectus.

Peter Temby and Anpet Exploration Pty Ltd have formed the opinion that the disclosure of information comprising estimates of mineralisation made by BCL and FEB (as defined within the prospectus) and the attribution of those estimates to BCL and FEB as set out in Section 7.2.1 of the said report are required to satisfy disclosure content requirements under Section 710 of the Corporations Act 2001 given the existence of each of those sets of estimations and the differences between them on the basis that differentiation between those parties is necessary and that Applicants are likely to consider the reputation and nature of the entities making those estimates when reviewing or assessing the information contained in those estimates.

T. G. Summons has given and not withdrawn his written consent to be named herein as independent geologist to the Company in respect of the Company's tenements and projects in China in the form and context in which he is so named. In addition, **T. G. Summons** has given and not withdrawn his written consent to the despatch of this document with his independent geologist's report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. T. G. Summons has not had any involvement in the preparation of this document other than the inclusion of his report and he has not given any professional or other advice in respect of any other part of this

document. **T.G. Summons** does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

Armstrongs have given and not withdrawn their written consent to be named herein as Independent Solicitor to the Company in relation to the Company's tenements and applications in Botswana in the form and context in which they are so named. In addition, Armstrongs have given and not withdrawn their written consent to the despatch of this prospectus with their Independent Solicitor's report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. **Armstrongs** have not had any involvement in the preparation of the prospectus other than the inclusion of their report references thereto and they have not given any professional or other advice in respect of any other part of this prospectus. **Armstrongs** do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

Corrs Chambers Westgarth have given and not withdrawn their written consent to be named herein as Independent Solicitor to the Company in relation to the Company's Australian tenements in the form and context in which they are so named. In addition, Corrs Chambers Westgarth have given and not withdrawn their written consent to the despatch of this prospectus with their Independent Solicitor's report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. **Corrs Chambers Westgarth** have not had any involvement in the preparation of this prospectus other than the inclusion of their report and references thereto and they have not given any professional or other advice in respect of any other part of this prospectus. **Corrs Chambers Westgarth** do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

Gansu Jincheng Law Firm have given and not withdrawn their written consent to be named herein as Independent Solicitor to the Company in relation to the Company's tenements and applications in China in the form and context in which they are so named. In addition, Gansu Jincheng Law Firm have given and not withdrawn their written consent to the despatch of this prospectus with their Independent Solicitor's report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. **Gansu Jincheng Law Firm** have not had any involvement in the preparation of this prospectus other than the inclusion of their report and references thereto and they have not given any professional or other advice in respect of any other part of this prospectus. **Gansu Jincheng Law Firm** do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

Bentleys MRI were previously auditors of the Company and have given and not withdrawn their written consent to be named herein as the previous auditor of the Company, either expressly or by inference herein, in the form and context in which they are so named. In addition, Bentleys MRI has given and not withdrawn its written consent to the despatch of this document with all references to its independent audit report in relation to the financial period ended 30 June 2005 being included either expressly or by inference herein, in the form and context in which such report and all references to such report are so included. **Bentleys MRI** has had no involvement in the preparation of this document other than the inclusion of references to such reports and has not given any professional or other advice in respect of any other part of this document. **Bentleys MRI** does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

Webb Callaway Paton has given and not withdrawn its written consent to be named herein as Independent Accountant in the form and context in which he is so named. In addition, Webb Callaway Paton has given and not withdrawn its written consent to the despatch of this document with its independent accountant's report all as contained herein, all being included herein, and to all references thereto being included either expressly or by inference herein, in the form and context in which each of such reports and all references to each of such reports are so included. **Webb Callaway Paton** has had no involvement in the preparation of this document other than the inclusion of such reports and has not given any professional or other advice in respect of any other part of this document. **Webb Callaway Paton** does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

Computershare Investor Services Pty Ltd, have given and not withdrawn their written consent to be named herein as the share registry to the Company in the form and context in which they are so named. In addition, they have given and not withdrawn their written consent to the despatch of this document. **Computershare Investor Services Pty Ltd** have had no involvement in the preparation

of this document other than the inclusion of their report and have not given any professional or other advice in respect of any other part of this document. **Computershare Investor Services Pty Ltd** do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

Bell Potter Securities Limited – Bell Potter Securities Limited has given and not withdrawn its written consent to be named in the Prospectus as Broker to the Issue in the form and context in which it is so named. In addition, Bell Potter Securities Limited has given and not withdrawn its written consent to the despatch of the Prospectus with all references to it in such capacity being included in the Prospectus in the form and context in which they are so included.

Gallery Gold Limited and Gallery Gold Botswana (Pty) Ltd have each given and not withdrawn their written consent to the inclusion in this prospectus of information supplied by them generally, and without limiting the foregoing:

- in Section Four under the heading "JIM'S LUCK PROSPECT" of all information said to be provided by Gallery Gold including Figures 4, 5 and 6 and the information contained therein, the data contained in Table 4, the statement " Gallery's assessment of Jim's Luck as having open cut potential(as released to ASX).";
- in the Anpet Report as set out in Section 5.1 thereof

and in addition, each has given and not withdrawn its written consent to the inclusion in this prospectus of all statements made or said to be made in reliance thereon being included in this prospectus in the form and context in which they are so included and to the despatch of this prospectus with all such information and statements as referred to and to references thereto being included either expressly or by inference herein in the form and context in which they are included. Neither Gallery Gold Limited nor Gallery Gold Botswana (Pty) Ltd have had any involvement in the preparation of this document other than the inclusion of such statements and information and has not have given any professional or other advice in respect of any other part of this document. Neither Gallery Gold Limited nor Gallery Gold Botswana (Pty) Ltd accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

(e) **Interests of Directors, Advisers and Named Persons**

Except as otherwise set out herein, no Director, expert or professional adviser named herein now has or during the last two years has had any interest in the promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, no sums have been paid or agreed to be paid to a Director, expert or professional adviser in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company or the Offer or (in the case of an expert or professional adviser) for services rendered by the expert or professional adviser in connection with the promotion or formation of the Company or the Offer save and except that:

In accordance with the terms of their engagement, Webb Callaway Paton have prepared the Independent Accountant's Report as contained herein and which forms part of this document. In aggregate, that firm has been paid or will be paid A$6,000 plus GST by the Company for services performed up to the date hereof. Webb Callaway Paton is auditor of the Company but has not received any payment for audit services in the period.

In accordance with the terms of its engagement, Anpet Exploration Pty Ltd has prepared the Independent Geologist's Report in relation to Botswana as contained herein and which form part of this document. In aggregate, Anpet Exploration Pty Ltd has been paid, or will be paid, professional fees of $14,590 plus GST in respect thereof and was previously paid $7,500 in respect of its report contained in the Company's prior prospectus dated 8 January 2004.

In accordance with the terms of his engagement, T. G. Summons has prepared the Independent Geologist's Report in relation to China as contained herein and which form part of this document. In aggregate, Mr Summons has been paid, or will be paid, professional fees of $3,000 plus GST in respect thereof.

In accordance with the terms of its engagement, Corrs Chambers Westgarth has prepared the Independent Solicitor's Report in relation to Australia as contained herein and which form part of this document. In aggregate, Corrs Chambers Westgarth have been paid, or will be paid, professional fees of $3,700 plus GST in respect thereof.

In accordance with the terms of its engagement, Armstrongs has prepared the Independent Solicitor's Report in relation to Botswana as contained herein and which forms part of this document. In aggregate, Armstrongs will be paid professional fees of $1,770 in respect thereof.

In accordance with the terms of its engagement, Gansu Jincheng Law Firm has prepared the Independent Solicitor's Report in relation to China as contained herein and which forms part of this document. In aggregate, Gansu Jincheng Law Firm will be paid professional fees of $25,600 in respect thereof.

In accordance with the terms of its engagement, Bell Potter Securities Limited will act as Broker to the Issue and will be paid commission as set out in clause 1(f) above.

At the date hereof no such payments have been made save as set out herein and, save as set out herein, all such payments made in the period of two years have been paid or are payable in cash. In addition to the above:

- the Directors and the Company Secretary are entitled to be remunerated as set out below:
- the Directors and the Company Secretary hold shares as set out herein;

(f) **Directors' and Officers' Shareholdings**

The names of each of the Directors and Officers of the Company and the number, description and amount of securities presently held by each of them or on their behalf in the capital of the Company are set out below:

Name	**Position**	**Shares**
Patrick John Volpe	Director	14,149,131
Desmond Kong-man Wan	Director	2,011,500
Peter Pena	Director	-
H Stacpoole	Director	1,396,477
John Howden Wilson	Secretary	273,333

(g) **Directors' Remuneration**

The Directors are remunerated as set out in the table below (including superannuation contributions)

Directors' Remuneration Year Ended 30 June 2005					
Name of Director	**Base Fees** **$**	**Super-annuation** **$**	**Non Cash Benefits** **$**	**Amount Paid** **$**	**Balance Outstanding** **$**
Patrick J Volpe	50,000	675	-	8,175	42,500
Desmond Kong-man Wan	40,000	0	-	7,500	32,500
Peter Pena	30,000	675	-	8,175	22,500
	120,000	**1350**		**23,850**	**97,500**

Directors' remuneration for the period ended 30 June 2005 has substantially been accrued with each director only being paid an amount of $7,500 plus in the case of each of Messrs Volpe and Pena, superannuation at the statutory rate of 9% thereof. The balance outstanding remains payable to each director and will be paid in due course from proceeds of the issue.

The amount unpaid but accrued to directors is accrued conditionally on the completion of the capital raising proposed pursuant to this Prospectus and will not be payable unless this occurs. In addition, the amount accrued in respect of Mr Wan, is also subject to performance in relation to the Company, through its subsidiaries (present or future), meeting his obligations as a director by securing a satisfactory tenement portfolio in China acceptable to the directors.

Directors' Remuneration 9 months ending 31 March 2006					
Name of Director	**Base Fees** $	**Super-annuation** $	**Non Cash Benefits** $	**Amount Paid** $	**Balance Outstanding** $
Patrick J Volpe	37,500	450.	-	5,450	32,500
Desmond Kong-man Wan	30,000	0	-	3,750	26,250
Peter Pena	22,500	337	-	4,087	18,750
Harry Stacpoole	22,500	337		4,087	18,750
	112,500	**1124**		**17,374**	**96,250**

Again, and in like manner as related to directors' remuneration for the period ended 30 June 2005, the amount unpaid but accrued to directors is accrued conditionally on the completion of the capital raising proposed pursuant to this Prospectus and will not be payable unless this occurs. In addition, the amount accrued in respect of Mr Wan, is also subject to performance in relation to the Company, through its subsidiaries (present or future), meeting his obligations as a director by securing a satisfactory tenement portfolio in China acceptable to the directors.

(h) **Directors other Interests**

As set out in the Company's prospectus dated 8 January 2003 in support of its application for listing on NSX the Board of A-Cap agreed with Mr Desmond Wan that the Company's wholly owned subsidiary, Gansu Sino-Australian Mineral Resources Development Company Limited ("Gansu") would proceed with applications to acquire various interests in mining tenements in China on the basis that:

(i) if any application is granted Mr Wan would be issued 1,000,000 ordinary fully paid shares in A-Cap at an issue price of $0.01 per share in satisfaction of a fee of A$10,000 resolved to be paid to him for facilitating the project;

(ii) if any minable resource is delineated within the area of any such application then Mr Wan will be issued and allotted a further 1,000,000 shares in A-Cap on the same basis.

The agreement with Mr Wan and his entitlement to receive the shares referred to above was subject to the condition precedent that the members of A-Cap first approve the terms of the agreement and the issue and allotment of those shares in general meeting with the meeting to be convened and held in a manner compliant with the provisions of the Act and the Listing Rules of NSX prior to any application being granted. Mr Wan and the Company have agreed in writing to cancel the arrangement.

(i) **Company Secretary's Remuneration**

The Company Secretary is remunerated at the rate of $25,000 per annum (exclusive of GST).

(j) **Costs Of The Issue**

The estimated costs of the Issue payable by the Company (exclusive of GST) are as follows:

Item of Expenditure	**Minimum Subscription $ 3.0m Issue**	**Full Subscription $ 5m Issue**
Brokerage Fees and expenses	175,000	250,000
ASIC & ASX Listing Fees	43,000	45,000
Prospectus Design & Printing	25,000	25,000
Geological Reports	18,000	18,000
Legal	71,000	71,000
Accountant	6,000	6,000
Estimated Total	**338,000**	**415,000**

DIRECTORS RESPONSIBILITY STATEMENT

The Directors of the Company report that for the purposes of Section 731 of the Act, they state that they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by Section 716(2) of the Act and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

Each Director of the Company consents to the lodgement of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

(a) certain matters may be reasonably expected to be known to professional advisers of the kind with whom applicants may reasonably be expected to consult; and

(b) information is known to Applicants or their professional advisers by virtue of any Acts or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Prospectus is dated the 28th day of March 2006.

PATRICK JOHN VOLPE

SECTION NINE

DEFINITIONS AND GLOSSARY

DEFINITIONS

Certain expressions are used throughout this Prospectus that are not defined in the various independent experts' reports. Unless otherwise stated or unless inconsistent or repugnant with the context in which the expression is used, each of the following expressions have the meaning set out below:

"$" or "A$" means references to dollar amounts in Australian currency.

"the Act" means the Corporations Act 2001 as in force within Australia.

"ASIC" means Australian Securities and Investments Commission.

"Associates" has the meaning given to that term in the Corporations Act.

"Business Day" means, generally, those days other than a Saturday, Sunday, New Years Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which NSX shall declare and publish as not a Business Day.

"Cardia" means Cardia Technologies Limited (ACN 064 755 237).

“cm” means centimetre

"Company" means A-Cap Resources Limited (ACN 104 028 542).

"Directors" or "Board" means the Directors of the Company.

“FEB” means the Falconbridge Explorations (Botswana) (Pty) Ltd.

"Gansu" means Gansu Sino-Australian Mineral Resources Development Company Limited, a company incorporated under the laws of PRC.

"Gansu Province" means Gansu Province in the People’s Republic of China

"Group" when referring to the means the Company and its subsidiaries from time to time and, when referring to any other corporate entity, means that entity and its controlled or subsidiary entities.

"Issue" means the issue of Shares pursuant to this Prospectus.

"Listing Rules" means the Official Listing Rules of NSX.

"M" means metre.

"NSX" means Stock Exchange of Newcastle Limited (ABN 11 000 902 063).

"Official List" means the Official List of NSX.

"PRC" means the Peoples' Republic of China.

"Prospectus" means this prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time.

“RMB” local unit of Chinese currency

"Shares" means ordinary shares to be issued and allotted pursuant to this Prospectus.

GLOSSARY OF TECHNICAL TERMS

Alpha Cup Survey	Survey where a plastic cup containing a piece of cellulose nitrate film is buried in the soil where it is exposed by alpha particles emitted by radon in the soil, The cups are exposed for approximately 30 days and the film etched to show the tracks made by the alpha particles. Also known as a Track Etch survey. Alpha particles are helium gas nuclei derived by radioactive breakdown of radon. Radon is derived by radioactive decay of radium which in turn is derived by decay of uranium.
Ag	Chemical symbol for silver
Alluvial	A sedimentary deposit laid down by a river.
Amphibolite	A crystalline metamorphic rock composed mainly of amphibole and plagioclase with little or no quartz
Anomaly	In geological terms a local feature distinguishable in a geophysical, geochemical or geobotanical way which is different in appearance from normal and can be associated with a mineral deposit
Archaean	The earlier period of the Precambrian from the formation of the Earth up to 2500 million years ago
Arenite	A general name for a consolidated rock composed of sand sized fragments
Argillaceous	Composed of clay minerals or of clay sized particles
Arkose	A feldspar rich sandstone
Arsenopyrite	Principal ore of arsenic, FeAsS
As	Chemical symbol for arsenic
Au	Chemical symbol for gold
Auriferous	Gold bearing
Barite	A mineral with the composition of barium sulphate, often pale coloured or colourless
Basement rocks	Oldest rocks in an area that underlie younger rock sequences
Basic complex	Related group of rocks that have a relatively low silica content, generally 44-52%. May include intrusive and extrusive members
Bi	Chemical symbol for bismuth
BIF horizon	Banded Iron Formation – banded rock with a high proportion of iron rich minerals
Bio-ox leach	Method of extracting gold (and other metals) from ore using bacteria to assist in breakdown of the ore minerals.
Biotite	Dark coloured member of the mica group of minerals
Brecciation	Process by which a breccia is formed where the pre existing rock is broken into angular fragments
Calcrete	A calcium rich rock of various secondary origins, often cementing previously existing porous sediments or soil in drainage channel areas
Calcite	A mineral with the composition of calcium carbonate
Carbonaceous	Refers to a material that contains a substantial amount of carbon
Carboniferous	A geological period extending from about 345 to 280 million years ago
Calcareous	Containing a significant amount of calcite
Carat	A measure of weight for diamonds equal to 0.2 gram
Carnotite	Mineral which usually occurs as a fine-grained canary-yellow incrustation. An ore of uranium and vanadium.
Chalcedony	A form of silica with a cryptocrystalline structure, breaks with a conchoidal fracture.
Chert	Hard very fine grained silica rich rock that can be formed by a variety of different processes
Chromite	A spinel group mineral with composition principally of Fe, Mg, Cr and Al combined with oxygen
Cluster	Group of or closely spatially associated items

Co	Chemical symbol for cobalt
Counts	Related to uranium this refers to the number of times a radioactivity measuring instrument responds to particles given off by breakdown of radioactive minerals such as uranium
Cu	Chemical symbol for copper
Conglomerate	Coarse grained sedimentary rock with grains in excess of two millimetres diameter
Country rock	The rock enclosing or traversed by a mineral deposit or an intrusive body
Craton	A part of the Earths crust that has achieved stability and has not been deformed for a long period
Cretaceous	The Cretaceous era is part of the Mesozoic era which is divided into three time periods: the Triassic (245-208 Million Years Ago), the Jurassic (208-146 Million Years Ago), and the Cretaceous (146-65 Million Years Ago).
Cyanide Leach	Method of extracting gold (and other metals) from samples of rocks, soils, stream sediment and ore deposits
Defined resource	Loose term for a quantified body of mineralisation
Deformed	Rock that has been subjected to stress and has been folded, faulted or sheared as a result
Devonian	Geological interval forming part of the Paleozoic era, following the Silurian and succeeded by the Carboniferous. About 408-345 million years ago.
Dolerite	Igneous rock consisting essentially of labradorite feldspar and pyroxene
Dyke	Narrow elongate sheet like intrusions that cut across the country rock
Dyke swarm	Large number of related subparallel dykes
EM	Electro Magnetic geophysical exploration technique
EM conductors	Geophysical response indicating the relative ability of the rocks to conduct electricity
Epiclastic	Rock formed from consolidation of fragments of pre existing rocks, particularly applied to fragments of volcanic origin
Exhalite	Chemical sediment formed by escape of hot waters of volcanic or intrusive related origins onto the sea floor. Dissolved metals, silica, carbonates and sulphide may be carried in the hot waters
Extrusive	Generally an igneous rock that has been erupted onto the surface of the Earth
Fault System	A series of related fractures where movement across the fracture planes has occurred
Fe	Chemical symbol for iron
Ferruginous	Iron rich material
Flotation	Recovery method used to selectively recover minerals of interest from finely crushed and ground ore
Fluid-country rock interaction	Process of physical and chemical reactions between a fluid that may contain a variety of elements in solution and the country rock into which it is moving
gamma ray	An energetic form of electromagnetic radiation produced by radioactivity or other nuclear or subatomic processes such as electron-positron annihilation. Gamma rays form the highest-energy end of the electromagnetic spectrum.
Geophysics	A branch of geology where the physical properties of the Earth are measured by quantitative physical methods
Gneiss	A rock formed by regional metamorphism with alternating bands of light and dark minerals with a preferred orientation of minerals parallel to the banding
Gossanous	Rock showing secondary minerals and textures from weathering of ore and ore related minerals, usually iron rich from weathering of iron bearing sulphide minerals
Granulite	Metamorphic rock with granular interlocking grains and minerals indicating origin in a high pressure and temperature environment
Greenstone	A greenstone belt is an elongate area of rocks that contain a substantial proportion of altered basaltic rocks, usually marginal to large granitoid bodies. Altered rocks usually have a schistose layering formed by stress during metamorphism
Greywacke	Dark grey consolidated rock consisting of poorly sorted sand sized quartz and feldspar grains in a finer grained matrix with the composition of a slate

g/t	Grams per tonne: unit of measurement
Halo	Used geologically to indicate low grade mineralisation or alteration surrounding higher grade or more intense development of mineralisation or alteration
Hematitic	Containing significant amounts of the iron oxide hematite
Hg	Chemical symbol for mercury
Indicator minerals	In diamond exploration these are minerals that formed either with the diamonds or with the host volcanic rock that carried the diamonds to surface
Intermediate	Igneous rock with intermediate silica content, 52-65%, intermediate between basic and felsic
Intrusive	Rock that has been emplaced as a molten or fluidized mass into other pre existing rocks
JORC Code	Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves: contained in Appendix 5 of ASX Listing Rules and mandatorily applicable to reporting of hard rock reporting of resources and reserves on ASX.
Karoo age	Rocks formed in the period from about 300-160 million years ago, Southern African term
Kimberlitic pipes	Carrot to champagne shaped intrusive rock composed of the rock type known as kimberlite, the most common source of diamonds.
KMn04	Chemical symbol for Potassium permanganate
Lenses	The shape of geological units that thin towards the margins and have at least one convex surface
Leucogranitic	Light coloured granite rock
Lithological	Relating to the physical character, composition and description of rocks
Loess	Deposits of silt (sediment with particles 2-64 microns in diameter) that have been laid down by wind action
m	metres
Mafic	Description of rock with a high proportion of dark coloured minerals, eg basalt
Mev	Million electron–volts, a unit of energy commonly used in nuclear physics
Mesothermal	Hydrothermal mineral deposits formed at moderate depths (in excess of two km) and moderate temperatures (200-300 degrees C)
Metasomatic	Type of alteration process where replacement of one mineral by new minerals can occur often with little disruption to the pre existing layering or grainsize of the original rock
Migmatitic gneisses	A metamorphic rock that has been partially melted and is composed of different composition layers, often strongly folded or contorted
Mn	Chemical symbol for manganese
Mo	Chemical symbol for molybdenum
Monzodiorite	A plutonic rock with quartz less than 5%, sodium-calcium feldspar equal to or up to twice the amount of potassium feldspar and a dark mineral component of less than 50%
Mylonite	Streaky or banded rock formed by intense brecciation and shearing of rock when subjected to very high stress. Mylonitic is descriptive of such a rock
Na_2CO_3	Chemical symbol for Sodium carbonate, a white crystalline substance.
$NaHCO_3$	Chemical symbol for sodium bicarbonate
Neogene	An obsolete term for two periods in the Tertiary age extending from approximately 25 million years ago to approximately 1 million years ago.
Ni	Chemical symbol for Nickel
Ochre	Powdery iron oxide or iron stained clay usually impure, normally used as pigment. Ochres may form from other metals such as uranium and antimony.
Orebody	A concentration of minerals that has been evaluated and found to be economically mineable
Orogenic	Refers to rocks that have been through extensive folding, faulting and variably metamorphosed.

Oxide facies	Generally refers to banded iron formations where the iron rich minerals are oxides such as magnetite and hematite
Palaeo channel	Older drainage channel no longer occupied by the modern drainage
Paragneiss	Gneiss formed from rocks that were originally of sedimentary origin
Pb	Chemical symbol for lead
Percussion Hole	Hole drilled by a drilling machine using a hammering effect on the drill rods or the hammer and bit in the hole. The hole is usually flushed with air and the down hole hammer is operated by air pressure
Permo – Triassic	Geological interval around the boundary between the Permian and Triassic periods which is at approximately 225 million years ago
Permo-Carboniferous	Geological interval around the boundary between the Permian and Carboniferous periods which is at approximately 290 million years ago
PL	Means Prospecting Licence and PLA means an application for a PL
Plug	Small intrusive body generally cylindrical and a possible former conduit to a volcanic vent
Polymetallic	Ore that is composed of three or more economically important metals
Polymetamorphic	Refers to a group of rocks that have been subjected to more than one phase of metamorphism
ppm	Parts per million: same as grams per tonne (g/t)
porphyry	A rock which has large crystals within a groundmass of smaller crystals that may or may not be of a similar kind.
Pyrite	Common form of brass yellow iron sulphide, FeS**2**, also known as fools gold
Pyrope	A garnet with a significant proportion of magnesium in it that can be used as a diamond indicator mineral if it has the right chemical composition.
Pyrrhotite	Common form of red-brown to bronze iron sulphide, Fe1-xS, with some ferrous ions lacking
Quartz – carbonate	Type of altered rock composed principally of quartz and carbonate minerals
Quaternary	A geological period extending from about 2-3 million years ago to the present
Radiometrics	Descriptive of a geophysical method where the radioactive characteristics of rocks are measured
Radon Gas survey	A survey where the amount of radon gas given off by radioactive breakdown of radium is measured in the search for uranium deposits
Reserves	Measured resources that have been shown to be mineable
Resources–indicated	Mineral resource intersected and tested by drill holes underground openings or other sampling procedures too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data is reasonably reliably known
Resources–inferred	Mineral resource intersected and tested by drill holes underground openings or other sampling procedures too widely spaced to ensure continuity and continuity cannot be predicted with confidence and where geoscientific data may not be reliably known
Resources–measured	Mineral resource intersected and tested by drill holes underground openings or other sampling procedures closely spaced enough to confirm continuity and where geoscientific data are reliably known
Reverse Circulation Drilling	Drilling technique where drill cuttings generated by the combination of rotation and hammering of the bit are returned to surface up the inner tube of the double walled drill rods. This often gives sampling advantages in softer, broken or weathered rocks as less contamination is likely to occur
Sb	Chemical symbol for antimony
Schist	A strongly foliated crystalline rock that can be readily split into slabs due to well developed parallelism of the minerals of the rock
Sedimentary	Rocks that have resulted from being laid down by water, ice or air, generally as layered rocks
Shale	Fine grained sedimentary rock that splits readily along boundaries of fine layers in the rock
Sheared	Said of rock in which strain has resulted in adjacent parts of the rock to slide relative to

	each other in the direction of the strain
Shear Zone	Shear zones are the deep-level equivalents to faults. They accommodate relative displacement of the surrounding rocks just as faults do but constitute bands of rock that have undergone deformation. Some shear zones can be narrow - like faults. Others can be tens of kilometres wide.
Siliceous	Said of a rock containing abundant silica, especially as quartz
Siliciclastics	Sedimentary rock composed of quartz and other silicate minerals
Silcrete	A silica cemented rock that often has replaced a pre existing rock type under conditions of extended chemical weathering.
Silicified	The introduction of or replacement by silica into or of pre existing rocks, and unconsolidated materials including vegetation within those materials
Silicification	The process by which rocks or other material becomes silicified
Siltstone	Fine grained sedimentary rock composed mainly of silt sized grains, intermediate in size between sandstone and shale. Does not split readily along layering in the rock
Siluro Devonian	Geological interval around the boundary between the Silurian and Devonian periods which is at approximately 400 million years ago
Slate	A compact fine grained metamorphic rock that splits readily along layers generated at right angles to the direction of stress on the rock during metamorphism
Spectrometer survey	A survey carried out using a spectrometer to search for uranium deposits and to distinguish between radiation from various groups of elements
Specular hematite	A black or grey variety of hematite usually with a micaceous appearance and with a high, sometimes iridescent, lustre
Stibnite	The principal ore of antimony, lead grey in colour. Composition is antimony sulphide
Stockwork veining	A series of sets of veins in a number of different orientations
Stratigraphy	The science of rock strata, including origin, distribution, age, environment of deposition, fossil content, geophysical and geochemical characteristics and history subsequent to being formed
Structural	Related to the general disposition, attitude and arrangement of rocks following deformation by folding, faulting or shearing
Subduction	Process of one lithospheric plate sliding under another, usually resulting in generation of volcanic arcs such as around the rim of the Pacific Ocean
Sulphide ore	Ore composed of compounds of metals and sulphur
Sulphides	Minerals composed of a metal or several metals combined chemically with sulphur
Swelling clays	Clays that swell when immersed in water, a property that is dependent on the composition of the clay mineral
Tati schist	Name of greenstone (schist) belt in north east Botswana in vicinity of Tati River
Tectonothermal	Said of a geological event where both deformation and extensive heating have affected the rocks
Tellurides	Mineral compound that is a combination of tellurium with a metal
Tension Gash	A short tension fracture in which the walls have been pulled apart. The fracture is often infilled with quartz or other minerals
Tertiary	Geological time period from 65-2 million years ago, following a major extinction event, probably caused by meteorite impact
Thorium	A radioactive metal with atomic number of 90.
Torbernite	A radioactive copper uranium phosphate mineral
Turbidite	A sedimentary rock deposited from a suspension of grains in water. Usually shows grading from coarse to fine grainsize
U_3O_8	Chemical symbol for uranium oxide or pitchblende
Ultramafic	A rock composed principally of mafic minerals, will be dark coloured
Uranium Channel ratio	A calculated value from a scintillometer survey where the counts due to uranium are ratioed against the counts due to other elements

Veins	Sheet like infillings of pre existing structures in the rock
W	Chemical symbol for tungsten
Warping	Gentle bending of the rock strata or the land surface
Zn	Chemical symbol for zinc