A-CAP RESOURCES LIMITED

ACN 104 028 542

TO: THE STOCK EXCHANGE OF NEWCASTLE LIMITED
DATE: 30th September 2004

2004 ANNUAL REPORT

Attached is the 2004 Annual Report of A-Cap Resources Limited and its controlled entities.

JOHN WILSON
Company Secretary

REGISTERED OFFICE
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A-CAP RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES

ACN 104 028 542

ANNUAL REPORT
30 JUNE 2004

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Directors:	Patrick John Volpe (Executive Chairman) Desmond Kong-Man Wan Peter Pena
Company Secretary:	John Howden Wilson
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Share Registry:	Computershare Investor Services Pty Limited Level 27, Central Plaza One 345 Queen Street BRISBANE QLD 4000 Telephone (07) 3237 2100 Facsimile (07) 3229 9860
Banker:	National Australia Bank Limited 110 Church Street RICHMOND VIC 3121
Auditor:	Ian D. Riley Chartered Accountant Ground Floor 3 Raglan Street SOUTH MELBOURNE VIC 3205
Lawyers:	Menzies and Partners Level 9 356 Collins Street MELBOURNE VIC 3000
Stock Exchange:	Stock Exchange of Newcastle Limited Ground Floor 384 Hunter Street NEWCASTLE NSW 2300

CHAIRMAN'S REPORT

Dear Shareholder,

I wish to welcome shareholders of the newly formed A-Cap which was recently listed on the Newcastle Stock Exchange (NSX). A-Cap was formed as a result of an entitlement to Cardia Technologies Ltd Shareholders to participate in a fully focused mineral exploration company.

The Listing on the NSX has proven successful for those shareholders who took up their 1¢ per share entitlement.
A-Cap has been one of the most activity traded companies on the NSX since listing with a trading range of between 3¢ and 7¢.

The past 12 months have seen a substantial global increased interest in base metals and gold largely due to global unrest. The shear appetite of the likes of China and India has also had significant influence.

The Company is well placed with an exploration portfolio that provides exposure to Australia, Botswana and China. Our focus is on gold and base metals such as nickel, copper and zinc.

A-Cap has established solid joint venture partners with Gallery Gold Ltd (ASX Listed) in Botswana and Gateway Mining N.L. (ASX Listed) in Australia.

During the year, encouraging drill results were received from the program at Jim's Luck in Botswana (partnered with Gallery). This has resulted in the Board's decision to continue to fund the Company's 20% interest. Jim's Luck is only 25km away from Gallery's mine processing plant. If a minerable resource is discovered, then the trucking of ore to that plant should be economically feasible. Drilling is expected in the next 3 months by Gallery to advance this project.

At the Maibele North Prospect in Botswana, previous drilling in the early 90's by Falconbridge, provided data that indicated a nickel resource of approximately 380,000 tonnes grading at 2%. A-Cap has appointed its own contract geologist to map this data to confirm its validity. In July 2004, A-Cap was granted additional leases in the Magogaphate area that have expanded its exploration area for nickel, base metals and gold. These tenements are located on the Lethakane and Limpopo Mobile Belt following the Zimbabwe craton into Botswana. Several old workings for nickel, copper and gold are laid within these tenements which are just north of Selebi-Phikwe where an existing resource and mine is operated by BHL. The Maibele North prospect is just 50km away from Selebi-Phikwe.

In Australia, whilst little exploration activity has been conducted recently, past exploration and drilling in the Hodgkinson Basin has defined a small resource of 700,000 tonnes @ 1.65gt (average) of gold with several anomalous zones being identified, but as yet remaining untested.

A-Cap is encouraged by the listing on the ASX of Republic Gold Ltd which is now active in the Hodgkinson Basin area.

In July 2004, A-Cap made its first gold exploration investment in China with the purchase of the "Ma Yuan North" tenement in the Province of Gansu.

This prospect appears to have high grade oxidised ore down to a depth of approximately 3.8 meters in lime and sandstone.

Other prospects in China are under review as A-Cap looks to build its presence in that country in the future.

I wish to thank shareholders for their support in participating in the A-Cap issue which, whilst raising only a modest sum of cash ($723,000 approximately), will have sufficient resources to advance its exploration portfolio for the near future.

CHAIRMAN'S REPORT (CONTINUED)

I am excited with the Company's exploration assets and their progress which I believe offers the Company the opportunity for further development and partnering in the near term. Whilst still early days, the Company's strategy is to continue to develop the likes of Jim's Luck, Mabele North and Ma Yuan North which offer the potential for ready cash flow in the near future.

I look forward to the continuing support of our shareholders in taking the Company forward.

Yours sincerely,

Patrick J. Volpe
Executive Chairman
Dated this 30th day of September 2004
Hawthorn, Victoria

REVIEW OF OPERATIONS AND ACTIVITIES

A-Cap Resources Limited ("A-Cap") was incorporated on 11 March 2003 as a wholly owned subsidiary of Cardia Technologies Ltd ("Cardia").

The incorporation of A-Cap resulted from a decision taken by the members of Cardia on 29 November 2002 to concentrate the Company's efforts on its core technology business of developing its clean, green and vital to life products and to dispose of its residual mineral exploration interests to the new Company.

A-Cap issued a Prospectus on 8 January 2004 raising $723,627 from a pro-rata offer to Cardia shareholders on the basis of one (1) new share in A-Cap for every two (2) shares held in Cardia at an issue price of $0.01 (1 cent) per share.

A-Cap repaid $100,000 of the its Cardia debt from the proceeds of the issue and was listed on the Newcastle Stock Exchange on 25 March 2004.

A-Cap's newly acquired tenements are located in Botswana and Queensland and consist of:

(1) The Jim's Luck Prospect in Botswana under a farmin agreement with Gallery Gold Limited (70%) ("Gallery") and Mineral Holdings (Botswana) Pty Ltd (10%). A-Cap is continuing to contribute to exploration expenditure to retain it's 20% interest.

(2) The Magogaphate group of tenements in Botswana with MHB holding a 5% net profits share.

(3) The Hodgkinson Basin tenements in Queensland held in joint venture with Gateway Mining Limited which holds a 60% interest.

Subsequent to the end of the 2004 financial year the Company was granted five (5) new prospecting licences in Botswana in close proximity to the existing Magogaphate tenements. These new licences cover a total area of 3,570 square kilometres and are regarded as prospective for nickel, copper, gold and other base metals.

Botswana

Jim's Luck Prospect

The Jim's Luck Prospect is managed by Gallery and surrounded by tenements owned by that Company. It is part of the Tati greenstone belt in northeast Botswana with Gallery continuing to actively explore its numerous prospecting licences in the belt to locate additional feed for its proposed Mupane plant.

Gallery plans a more regional appraisal of the entire belt using all the detailed geophysics and geochemistry acquired over the past eight years, with a particular focus on Jim's Luck and Matsiloje.

Jim's Luck is located only 25 kilometres by existing roads from the proposed Mupane gold mine development.

Results from past exploration at Jim's Luck indicate that the best gold mineralisation is associated with small pencil shoots developed in the deformed parts of a banded iron formation (BIF). The gold mineralisation is associated with thin quartz-sulphide veins which cross-cut the BIF. There are at least two of these zones as defined in RC drill intersections of 9m @ 5.1 g/t gold in JIMC 02 and 15m @ 5.3 g/t gold and 8m @ 3.8 g/t gold in JIMC 03.

Exploration during the last twelve months has focused on detailed mapping and rock chip sampling over these two targets in preparation for detailed resource drilling later this calendar year. Trenching, mapping and rock chip sampling further south along the same sequence has also located two more zones of interest, viz:- in trench JIMT 23 with 5m @3.55 g/t gold, and 500m south of this trench in a structurally thickened part of the BIF where rock chip samples ranged from 0.18 – 10.2 g/t gold. Detailed mapping and sampling is in progress in these two new areas.

REVIEW OF OPERATIONS AND ACTIVITIES (CONTINUED)

Gallery's budgeted expenditure over the twelve months to 30 June 2005 is 795,520 Pula with A-Cap's 20% share being 159,104 Pula or approximately $A50,000.

Magogaphate Tenements

The Magogaphate tenements cover a series of prospects/licences which are prospective for gold, copper-gold, zinc-lead, gold and nickel-copper gold targets. Of the four (4) original tenements, three (3) were renewed in July 2004 and all four expire in 2006.

Originally managed by Mineral Holdings Botswana (Pty) Ltd ("MHB") on behalf of the MHB – Cardia Joint Venture, Cardia and MHB have transferred their interests in all of the Magogaphate tenements to A-Cap, with MHB retaining a 5% net profits share.

Five (5) additional licences were also granted in July 2004 for a term of 3 years. The new prospecting licences are located in close proximity to the renewed tenements in the Magogaphate area and covering a total area of 3,570 square kilometres are prospective for nickel, copper, gold and other base metals.

Currently, the focus of exploration work on the Magogaphate tenements is the Maibele North nickel prospect. This prospect has had significant exploration activity on it in the past and Falconbridge Exploration Botswana P/L has reported that it contains a defined resource of 380,000 tonnes of 2% nickel and 0.5% copper with indications of platinum group elements.

The resource has not been verified by the Company or its consultants, but A-Cap is currently conducting a review of the available data compiled by Falconbridge to establish the most cost effective method of indicating if a minerable tonnage of nickel ore exists at Maibele North.

The final geologist's report and recommendations for the next work stage on the prospect is close to completion, but initial computerised modelling has been promising indicating that there are valid exploration targets at Maibele North and that the nickel-copper deposits appear to be one of the more attractive deposits in the Selebi-Phikwe area.

Queensland

Hodgkinson Basin Tenements

The Hodgkinson Basin tenements are located 120 km north west of Cairns and cover an area of 400 sq km. A-Cap is in joint venture with Gateway Mining N.L. with the latter holding a 60% interest in the tenements and acting as Manager of the project.

The joint venture partners have identified several coincident structural anomalous zones with the potential to host significant gold mineralisation.

Although most of these zones remain untested there was limited exploration during the course of the year with expenditure by the joint venture being limited to that required to meet the requirements under the tenements.

The Hodgkinson Basin has been an area of good returns to small gold miners for more than 100 years. Previous exploration was carried out by BHP Minerals, Placer, Poseidon, Dominion Mining, Strategic, Homestake and Freeport.

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 was more brittle resulting in stockworking (Reedy,s) 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 30.1g/t gold have been drill intersected at the

REVIEW OF OPERATIONS AND ACTIVITIES (CONTINUED)

Reedy project. Wider zones of evenly distributed gold mineralisation are confined to ductile shear hosted environments such as the Campbell Creek Project.

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 meters 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 @ 0.74g/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 meters @ 2.14g/t gold. Stream sediment sampling confirmed the earlier work conducted by BHP and highlighted the prospectivity of the area.

China

During the year, the Company set up a wholly owned subsidiary Gansu Sino-Australian Mineral Resources Development Co., Ltd in China. In July 2004, the Company acquired from the Gansu Provincial Department of Land & Resources, a 43.13km² tenement known as "Ma Yuan North" located in the Province of Gansu.

The following is some background information extracted from the Gansu Provincial Department of Land & Resources' publication on "Geological Examination General Information on the Ma Yuan North Gold Tenement in Xihe County, Gansu Province".

Ma Yuan North Gold Tenement

The Ma Yuan North Tenement area is located 2 kilometres north of Ma Yuan Village, Xihe County, Gansu Province. A simple constructed road is linked to the tenement area from Xihe Town over the distance of 25km and transportation is fairly convenient.

Geochemical exploration works were conducted as the previous systematic investigation on the tenement. Shaanxi Regional Survey Team conducted geochemical exploration works in the Tian Shui Fu area between 1966 and 1969 on the region's geology, constitution, magnetic rock and minerals. The Gansu Provincial Geological and Mining Bureau Chemical Exploration Team also conducted investigation works between 1989 and 1991 for the regular distribution of the individual elements on the tenement area. They have completed the edition on the local description of the geochemical chart. The Gansu Provincial Geochemical Exploration Team in 1988 has also completed the edition of the 1:500,000 scale description on 8 abnormalities at the nearby West Qin Ridges.

The composition of the anomalies identified in the tenement area are gold, silver, antimony, mercury, lead and zinc. These anomalies are distributed quite widely in the area of approximately 120km². Apart from the discoveries of multiple mineral deposits, recent major discoveries have led to gold mines being established in the area. This has given the local area the reputation of containing gold and multiple metal mineralisation zones.

The ore in the Ma Yuan North Gold Tenement is mainly made up by idiomorphic crystal and semi-idiomorphic structure. The diomorphic texture metal minerals (limonite and anhydroferrite) have shown excellent crystallisation, which has formed part of the disseminated impregnation structure.

The ore structures are mainly made up of impregnation and fragmentation structures.

The Ma Yuan North gold content grades are averaged at 2.22g/t with a maximum grades of 6.8g/t.

REVIEW OF OPERATIONS AND ACTIVITIES (CONTINUED)

There are 3 ore bodies in the Ma Yuan North Gold Tenement. The ore bodies are within the controlled length of 55 to 235 meters. The depth is between 0.6 and 3.65 meters and the ore bodies are controlled by the interlayers of the fractured zone.

The soil layer of the local area is quite thick with limited exposure of basal complex. It is concluded that the existence of a mineralised ore body is based on strong and weak analysis of the abnormalities of the soil element with the most direct element indications being mercury, antimony and silver.

The estimated Ma Yuan North Gold Tenement's Gold Resource is 2.3 tonnes or approximately 70,000 ounces.

The Ma Yuan North Tenement is A-Cap's first exploration tenement in China.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of A-Cap Resources Limited ("A-Cap") and the entities it controlled ("the Group") at the end of, or during, the year ended 30 June 2004.

A-Cap Resources Limited is a company limited by shares incorporated and domiciled in Australia.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Patrick John Volpe (Executive Chairman)

Peter Pena

Desmond Kong-Man Wan was appointed a director of the Company on 25 August 2003 and continues in office at the date of this report.

Kenneth James Ingbritsen was a director of the Company from the beginning of the financial year until his resignation on 25 August 2003

PRINCIPAL ACTIVITIES

Since its acquisition of the mineral exploration projects of Cardia Technologies Limited and a successful admission to the official list of the Stock Exchange of Newcastle on 18 March 2004, A-Cap's principal activities have consisted of the on-going maintenance and exploration of the Botswana and Australian tenements, and the seeking of exploration opportunities in the Gansu Province of China.

DIVIDENDS

The directors do not recommend the payment of a dividend and no dividends have been paid or declared since the end of the last financial year.

REVIEW OF OPERATIONS

The consolidated loss for the year attributable to the members of the Company was:

	2004 $
Operating loss after income tax	(75,486)
Outside equity interests	-
Net loss attributable to members of the Group	(75,486)

EARNINGS (LOSS) PER SHARE

	2004 $
Basic Earnings (Loss) Per Share	($0.004)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

The Acquisition of Mineral Exploration Projects

The mineral exploration projects acquired from Cardia Technologies Limited ("Cardia") are located in Botswana and Queensland and comprise three discrete groups of tenements of which the Jim's Luck Prospect in Botswana is held under farmin agreements with Gallery Gold Limited and Mineral Holdings (Botswana) Pty Ltd ("MHB"), the Magogaphate tenements in Botswana are held in joint venture with MHB with MHB's interest having reduced to a 5% net profits share and the Hodgkinson Basin tenements in Queensland are held in joint venture with Gateway Mining Ltd. Included in the acquisition was Cardia's interest in Cardia Mining Botswana (Pty) Limited a dormant company registered in that country.

Details of all the tenements are included elsewhere in this report.

The Successful Completion of an IPO and Listing on Stock Exchange of Newcastle Limited

The Company's initial public offering was successfully completed on 18 February 2004 raising a cash amount of $723,627 before capital raising costs and the shares were admitted to the official list of the Stock Exchange of Newcastle on 18 March 2004.

Establishment of Chinese Subsidiary

In November 2003 the Company established a wholly owned subsidiary in the Gansu Province of China to facilitate the possible acquisition of mineral exploration prospects in that country.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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.

In July 2004 the Company announced that the Ministry of Minerals, Energy and Water Resources in the Republic of Botswana had renewed three (3) old licences and granted 5 new prospecting licences all in the name of Cardia Mining Botswana (Pty) Limited. The licences cover tenements near or on the Limpopo Belt, north of tenements held by Bamangwato Concessions Limited who are currently mining nickel in the Selebi-Phikwe area. The new licences cover a total area of 3,570 square kilometres and are prospective for nickel, copper, gold and other base metals.

On 20 August 2004 the Company announced that its subsidiary company in China, Gansu Sino – Australian Mineral Resources Development Co. Ltd had acquired its first exploration ground in that country. The ground acquired covers 43 square kilometres in the North Mayuan County of China.

LIKELY DEVELOPMENTS

As a mining exploration company, A-Cap's immediate developments will centre on the existing tenements in which it has an interest and on the acquisition of additional prospective areas in Botswana, Peoples Republic of China and elsewhere.
Further information on likely developments in the operations of the consolidation entity and the expected results of operations have not been included in this report as directors believe that doing so could result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity holds participating interests in a number of exploration licences. The various authorities granting such licences requires the licence holder to comply with directions given to it under the terms of the grant of licence.

There have been no known breaches of the consolidation entity's licence conditions.

INFORMATION ON DIRECTORS

Patrick John Volpe *B.Bus(Acc), P.G.(Tax), CPA*	Experience:	Executive Chairman for 1 year Background in mining, media, transport, manufacturing, banking and stockbroking with a particular emphasis on corporate restructuring, business acquisitions, investment advising and capital raisings. Chairman of Cardia Technologies Ltd, Bioglobal Ltd and Director of Dia-B Tech Ltd.
	Age:	46
	Special Responsibilities:	Corporate finance and investment, Acquisitions and mergers
	Interest:	14,149,131 Ordinary Shares
Peter Pena *LLB (PNG), LLM (Sydney)*	Experience:	Non-Executive Director for 1 year Principle of a legal practice in Port Moresby specialising in commercial and international business law. Non-Executive Director of Cardia Technologies Ltd.
	Age:	41
	Special Responsibilities:	International trade and finance
	Interest:	Nil
Desmond Kong-Man Wan *B.Bus (MKTG)*	Experience:	Non-Executive Director since August 2003 Specialist in international marketing and product commercialisation in Asia with a particular emphasis on the People's Republic of China. Executive Director of Waterpower (Hong Kong), Environmental Protection Technologies Co. Ltd a 100% owner subsidiary of Cardia Technologies Ltd.
	Age:	33
	Special Responsibilities:	Business links with the Company's Chinese associates.
	Interest:	3,011,500 Ordinary Shares

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors and the Audit and Compliance Committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

Name	Board		Audit and Compliance Committee	
	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held
P J Volpe	6	6	-	-
P Pena	6	6	-	-
K J Ingbritsen (Resigned 25 August 2003)	2	2	-	-
DKM Wan (Appointed 25 August 2003)	3	4	-	-

The audit and compliance committee was established in January 2004.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The broad remuneration policy is to ensure the remuneration packages properly reflect the person's duties and responsibilities, and are set at levels that are intended to attract and retain people of the highest quality.

Executive Directors may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash-flow). Non-executive Directors do not receive any performance related remuneration.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each major element of the emoluments of each Director of the Company for the year ended 30 June 2004 are:-

Name	Director's fees $
P J Volpe	9,375
P Pena	9,375
D Kong Man Wan (appointed 25 August 2003)	6,250
K J Ingbritsen (resigned 25 August 2003)	-
Total	25,000

P J Volpe is the sole Executive Director.
Information in respect of other executive officers within the consolidated entity receiving the highest emoluments for the year ended 30 June 2004 are:-

Name	Consulting Fees $
J H Wilson	11,667

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the current Directors and Officers of the Company against all liabilities incurred as an officer except where the liability arises out of conduct involving a lack of good faith. The Indemnity includes costs and expenses in successfully defending any legal proceedings, and applied, from 17 March 2004 when A-Cap ceased to be a controlled entity of Cardia Technologies Ltd.

The Company has not paid or agreed to pay a premium to insure the Directors and Officers against liabilities incurred in their respective capacities.

This report is made in accordance with a resolution of the Directors.

P J Volpe
Director
Dated this 30th day of September 2004
Hawthorn, Victoria

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

A review of the Company's corporate governance framework was performed during the year in light of the best practice recommendations' released by the Australian Stock Exchange Corporate Governance Council in March 2003. As a result the Board of Directors adopted a set of corporate governance practices appropriate for the size, complexity and operations of the Company and its subsidiaries. The ongoing relevance and effectiveness of these practices will be periodically reviewed to reflect changing circumstances.

A description of the Company's main corporate governance practices is set out below.

ROLE OF THE BOARD AND MANAGEMENT

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities include:

- Leadership of the organisation
- Strategy formulation
- Overseeing planning activities
- Shareholder liaison
- Monitoring compliance and risk management
- Company finances
- Human resources
- Remuneration policy

STRUCTURE AND COMPOSITION OF THE BOARD

The Board has been formed so that it has an effective mix of personnel who are committed to discharging their responsibilities and duties, and being of value to the Company.

The names of the Directors, and their qualifications and experience are stated on Page 11 along with the term of office held by each.

One of the three Directors on the Board at present could be classified as 'Independent'. The number of independent Directors on the Board is likely to increase as the Company develops and the Board believes that it can attract appropriate independent directors with the necessary industry experience.

However, where any Director has material personal interest in a matter and, in accordance with the *Corporations Act 2001,* the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of shareholders, as a whole, is pursued and that their interest or the Director's independence is not adversely affected.

The Company believes that at this stage in its development, the most appropriate person for the position of Chairman is an Executive Officer of the Company. The Executive Officer's overall expertise has been crucial to the Company's development and negates any perceived lack of independence.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the full Board.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

STRUCTURE AND COMPOSITION OF THE BOARD (CONTINUED)

The Company does not have a Nomination Committee because the Board considers that selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board to consider the nominations process.

ETHICAL AND RESPONSIBLE DECISION-MAKING

Due to the size of the Company and the resources available to it, the Board does not consider that a formal Code of Conduct for Directors and other key executives is appropriate. Rather, it is agreed by the Board that all officers of the Company will act ethically and in the best interests of the Company.

The Company has a share trading policy that regulates the dealings by directors, officers and employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that directors, officers, employees and consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in company securities while in possession of unpublished price-sensitive information.

INTEGRITY IN FINANCIAL REPORTING

The Board believes that it is unnecessary for the Company's Chief Executive Officer to give a written statement as to the Company's financial condition prior to the signing of the Annual Report as he is also a Director of the Company and therefore required to give a statement on the Company's financial reports.

Also, as the Company does not have a Chief Financial Officer, or someone who undertakes the role, to give a similar statement, it relies on its external accountant to ensure that the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

As the Company is small with a Board of 3 members it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review, operations and remuneration but has established an Audit and Compliance Committee.

The members of the Committee are Patrick Volpe (Chairman) and John Wilson (Company Secretary) and it was 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.

TIMELY AND BALANCED DISCLOSURE

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the Stock Exchange of Newcastle Limited ("NSX") as well as communicating with the NSX. In accordance with the NSX's 'Listing Rules' the Company immediately notifies the NSX of information concerning the Company:

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

TIMELY AND BALANCED DISCLOSURE (CONTINUED)

1. That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
2. That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Due to the size of the Company, it achieves compliance with NSX 'Listing Rules' disclosure requirements without the need for formal policies and procedures.

RIGHTS OF SHAREHOLDERS

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

1. Communicating effectively with shareholders through ongoing releases to the market via the NSX, and the general meetings of the Company;
2. Giving shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Making it easy for shareholders to participate in general meetings of the Company; and
4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

RISK MANAGEMENT

The Board reviews all key areas of the Company's risk management on an ongoing basis and keeps shareholders informed of any changes in the risk profile of the Company.

Due to the size of the Company and its Board a Risk Management Committee and formal risk management policies have not been established.

ENCOURAGE ENHANCED PERFORMANCE

The Board is responsible for evaluating its performance and that of individual Directors and key executives and in doing so may engage independent external advisors if thought appropriate to do so.

REMUNERATE FAIRLY AND RESPONSIBILITY

The Company has not established a Remuneration Committee as it currently uses external consultants and has no employees.

Non-Executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior shareholder approval.

Current remuneration details are disclosed in the Directors' Report.

THE RECOGNITION OF LEGITIMATE INTERESTS OF STAKEHOLDERS

The Board is conscious of the need for sound business practices for dealing with employees, customers, suppliers and other stakeholders and monitors the performance of management in relation to these practices. However, the Board does not believe that it is appropriate to formalise these practices into a Code of Conduct as it believes that stakeholders will be better served by the Company's current informal system.

STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	Notes	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Revenue from Ordinary Activities		-	-	-	-
Office Expenses		(296)	-	(296)	-
Director and Executive Benefits		(36,667)	-	(36,667)	-
Exploration and Licence Registration		(1,878)	-	(1,878)	-
Travel and Marketing Expenses		(20,303)	-	(20,303)	-
Professional Fees		(21,114)	-	(21,114)	-
Net Foreign Exchange Gain		6793	-	-	-
Other Expenses from Ordinary Activities		(2,021)	-	(2,021)	-
Loss from Ordinary Activities before Income Tax Expense		(75,486)	-	(82,279)	-
Income Tax Benefit	2	-	-	-	-
Loss from Ordinary Activities after Income Tax Expense		(75,486)	-	(82,279)	-
Net Loss Attributable to Members of A-Cap Resources Limited		(75,486)	-	(82,279)	-
Total Changes in Equity other than those resulting from Transactions with Owners as Owners Attributable to Members of A-Cap Resource Limited		(75,486)	-	(82,279)	-

The above statements of financial performance should be read in conjunction with the accompanying notes.

Basic Earnings (Loss) per Share	($0.004)	-	-	-

STATEMENTS OF FINANCIAL POSITION

At 30 June 2004

	Notes	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Current Assets					
Cash Assets	3	**492,578**	-	**384,695**	100
Receivables	4	**8,814**	-	**8,814**	-
Total Current Assets		**501,392**	-	**393,509**	100
Non-Current Assets					
Deferred Exploration and Evaluation	5	**264,171**	-	**264,171**	-
Other Financial Assets	6	**-**	-	**101,090**	-
Total Non-Current Assets		**264,171**	-	**365,261**	-
Total Assets		**765,563**	-	**758,770**	100
Current Liabilities					
Payables	7	**72,340**	-	**72,340**	-
Total Current Liabilities		**72,340**	-	**72,340**	-
Non-Current Liabilities					
Loan from Related Party	8	**99,750**	-	**99,750**	-
Total Non-Current Liabilities		**99,750**	-	**99,750**	-
Total Liabilities		**172,090**	-	**172,090**	-
Net Assets		**593,473**	-	**586,680**	100
Equity					
Parent Entity Interest					
Contributed Equity	9	**668,959**	-	**668,959**	100
Accumulated Losses	10	**(75,486)**	-	**(82,279)**	-
Total Parent Entity Interest in Equity		**593,473**	-	**586,680**	100
Total Outside Equity Interest in Controlled Entities		**-**	-	**-**	-
Total Equity		**593,473**	-	**586,680**	100

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the Year Ended 30 June 2004

	Notes	Consolidated 2004	Consolidated 2003	Parent Entity 2004	Parent Entity 2003
		$	$	**$**	$
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)		**(76,381)**	-	**(83,174)**	-
Interest received		**-**	-	**-**	-
Income tax received		**-**	-	**-**	-
Net Cash (Outflow) from Operating Activities		**(76,381)**	-	**(83,174)**	-
Cash Flows from Investing Activities					
Payment for purchase of controlled entity, net of cash required		**-**	-	**(101,090)**	-
Purchase of property, plant and equipment		**-**	-	**-**	-
Loans to related parties		**-**	-	**-**	-
Loans from related parties	15	**(100,000)**	-	**(100,000)**	-
Payments for patent expenses		**-**	-	**-**	-
Net Cash (Outflow) from Investing Activities		**(100,000)**	-	**(201,090)**	-
Cash Flows from Financing Activities					
Proceeds (payments) from borrowing		**-**	-	**-**	-
Proceeds from issues of ordinary shares		**723,627**	-	**723,627**	100
Payments of share issue costs		**(54,768)**	-	**(54,768)**	-
Net Cash Inflow from Financing Activities		**668,859**	-	**668,859**	100
Net Increase/(Decrease) in Cash Held		**492,478**	-	**384,595**	100
Cash at the Beginning of the Financial Year		**100**	-	**100**	-
Cash at the End of the Financial Year	3	**492,578**	-	**384,695**	100
Non-Cash Financing and Investing Activities		**(43,681)**	-	**(43,681)**	-

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the Corporations Act 2001.

It has been prepared on the basis of historical cost convention. Unless otherwise stated, the accounting policies are consistent with those of the previous year.

As a small exploration company, A-Cap has experienced negative operating cash flows during the year ended 30 June 2004 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 keep the portfolio of exploration tenements as detailed in the Schedule of Interest on page 39 of this report.

Accordingly they have prepared the financial report on a going concern basis.

Note 14 includes estimates of exploration expenditure commitments over the next 5 years.

(A) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by A-Cap Resources Limited ("Company" or "parent entity") as at 30 June 2004 and the results of all controlled entities for the year then ended. A-Cap Resources Limited and its controlled entities together are referred to in this financial report 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.

(B) 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.

(C) Foreign Currency 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) 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.

(E) Revenue Recognition

Interest Income
Interest Income is recognised as it accrues.

(F) 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.

(G) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) 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 Note 1(A). The interest in a joint venture partnership is accounted for as set out in Note 1(K).

(I) 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.

(J) 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.

(K) 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. Details of joint ventures are set out in note 18.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) 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.

(M) 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.

(N) Earnings Per Share

Basic Earnings Per Share
Basic earnings per share is determined by dividing the operating profit after income tax and preference share dividends attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(O) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing on or after 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep shareholders informed as to the impact of these new standards as they are finalised.

The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of the IFRS are:

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 pending 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) Adoption of Australian Equivalents to International Financial Reporting Standards

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.

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 Australian equivalent to IAS 12, 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.

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.

NOTE 2 INCOME TAX EXPENSE

(A) Income Tax

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
The income tax expense for the financial year differs from the amount calculated on the loss. The difference is reconciled as follows:				
Loss from ordinary activities before income tax expense	**(75,486)**	-	**(82,279)**	-
Income tax calculated @ 30%	**(22,646)**	-	**(24,684)**	-
Tax effect of permanent differences	**(1,658)**	-	**380**	-
Income tax adjusted for permanent differences	**(24,304)**	-	**(24,304)**	-
Future income tax benefit not taken to account	**24,304**	-	**24,304**	-
Income Tax Expense/(Credit)	**-**	-	**-**	-

(B) Future Income Tax Benefit not taken to Account

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
The Directors estimate that the potential future income tax benefit in respect of tax losses not brought to account is:	**24,304**	-	**24,304**	-

NOTE 2 INCOME TAX EXPENSE (CONTINUED)

(B) Future Income Tax Benefit not taken to Account

The benefit for tax losses will only be obtained if:

a) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised; or

b) the losses are transferred to an eligible entity in the consolidated entity; and

c) the consolidated entity continue to comply with the conditions for deductibility imposed by tax legislation; and

d) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

(C) Franked Dividends

	Consolidated	
	2004	2003
	$	$
Franking credits available for subsequent financial years	**-**	-

NOTE 3 CURRENT ASSETS – CASH

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Cash at bank and on hand	**492,578**	-	**384,695**	100

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances per statement of cash flows	**492,578**	-	**384,695**	100

NOTE 4 CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Other	**8,814**	-	**8,814**	-

NOTE 5 DEFERRED EXPLORATION AND EVALUATION COSTS

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Deferred Exploration and Evaluation Costs	**264,171**	-	**264,171**	-

NOTE 6 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Non-traded investments				
Shares in controlled entities – at cost	-	-	**101,090**	-

NOTE 7 CURRENT LIABILITIES – PAYABLES

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Trade creditors	**16,682**	-	**16,682**	-
Other creditors	**55,658**	-	**55,658**	-
	72,340	-	**72,340**	-
Number of employees at end of financial year	**-**	-	**-**	-

NOTE 8 NON-CURRENT LIABILITIES – LOANS FROM RELATED PARTY

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Loan from Cardia Technologies Limited – Director-Related	**99,750**	-	**99,750**	-

$100,000 of the Cardia debt was repaid from the proceeds of A-Cap's initial public offering.

NOTE 9 CONTRIBUTED EQUITY

(A) Share Capital

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Ordinary shares, fully paid	**668,959**	-	**668,959**	100

(B) Movement in Ordinary Share Capital

Date		Number of Shares	Issue Price	$
11 March 2003	**Initial Share Issue**	**100**	**$1.00**	**100**
1 July 2003	**Balance**	**100**		**100**
17 March 2004	Share issue	76,730,834	$0.01	767,309
17 March 2004	Costs associated with capital raising			(98,450)
30 June 2004	**Balance**	**76,730,934**		**668,959**

NOTE 9 CONTRIBUTED EQUITY (CONTINUED)

(C) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTE 10 ACCUMULATED LOSSES

Accumulated Losses

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Accumulated losses at the beginning of the financial year	**-**	-	**-**	-
Net losses attributable to members of A-Cap Resources Limited	**(75,486)**	-	**(82,279)**	-
Accumulated losses at the end of the financial year	**(75,486)**	-	**(82,279)**	-

NOTE 11 FINANCIAL INSTRUMENTS

(A) Credit Risk Exposure

The credit risk on financial assets of the consolidated entity which have been recognised in the statement of financial position is the carrying amount, net of any provisions.

(B) Interest Rate Risk Exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are as follows:

- Cash balances held attract an interest rate of nil% (2003: nil%);
- Accounts receivable and accounts payable are non-interest bearing; and
- Loans of $99,750 (2003: $nil) owing to related parties at balance date are interest free.

(C) Net Fair Values of Financial Assets and Liabilities

The carrying amount of financial assets and liabilities approximates net fair value.

NOTE 12 REMUNERATION OF DIRECTORS

	Directors of Entities in the Consolidated Entity		Directors of Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties in connection with the management of the affairs of the parent entity or its controlled entities.	**25,000**	-	**25,000**	-

Details of share and share option transactions in respect of Directors during the year ended 30 June 2004 are set out in Note 15.

Other than Directors' Fees, no other remuneration was paid to Directors during the year.

	Directors' Fees
	$
P. Volpe	9,375
P. Pena	9,375
D. Wan	6,250
K. Ingbritsen	-
	25,000

NOTE 13 REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Remuneration for audit or review of the financial reports of the parent entity and the consolidated entity:	**4,000**	-	**4,000**	-

NOTE 14 COMMITMENTS FOR EXPENDITURE

Exploration Expenditure Commitments

	Consolidated	Parent Entity	Parent Entity	
	2004	2003	**2004**	2003
	$	**$**	**$**	**$**
Within one year	**1,249,887**	**-**	**1,249,887**	**-**
Years 2-5	**3,667,691**	**-**	**3,667,691**	**-**

The estimated figures include amounts required to maintain A-Cap's current rights of tenure to exploration and mining tenements up until the expiry of the leases. These obligations are subject to renegotiation upon expiry of the leases and are not provided for in the financial statements.

The majority of the Company's tenements are however, likely to be joint ventured, farmed out or relinquished, thereby significantly reducing this figure.

NOTE 15 RELATED PARTY INFORMATION

Directors

The names of persons who were Directors of A-Cap Resources Limited at any time during the year are as follows: Messrs P J Volpe, P Pena, D Kong-Man Wan and K J Ingbritsen. Messrs Volpe, Pena and Ingbritsen were also Directors during the year ended 30 June 2003.

Remuneration

Information on remuneration of Directors is disclosed in Note 12.

Share Transactions of Directors and Director-Related Entities

During the year, aggregate numbers of shares of A-Cap Resources Limited acquired or disposed of by Directors of the parent entity or the consolidated entity or their Director-related entities were:

	Balance as at 1/7/03	Acquired	Disposed	Balance as at 30/6/04
P. Volpe	-	14,149,131	-	14,149,131
P. Pena	-	-	-	-
D. Wan (1)	-	3,011,500	-	3,011,500
K. Ingbritsen (2)	-	-	-	-
	-	17,160,631	-	17,160,631

(1) Mr Wan was appointed on 25 August 2003.
(2) Mr Ingbritsen resigned on 25 August 2003.

Mr Volpe acquired his shares during the year from his entitlement under the rights issue to Cardia Technologies Ltd Shareholders as an underwriter to the issue and from the payment of underwriting commission in the form of equity at the prospectus issue price.

Mr Wan acquired his shares during the year from his entitlement under the rights issue to Cardia Technologies Ltd Shareholders and from the shortfall of the issue.

Other Transactions with Directors and Director-Related Entities

Mr P J Volpe is a Director and major shareholder of Trayburn Pty Ltd which is paid directors fees on normal commercial terms and conditions.

Amounts owing to Director-related entities are disclosed in Note 8.

Aggregate amounts of each of the above types of other transactions with Directors and their Director-related entities:

	Consolidated		**Parent Entity**	
	2004	2003	**2004**	2003
	$	$	**$**	$
Directors' Fees (Note 12)	**25,000**	-	**25,000**	-

NOTE 15 RELATED PARTY INFORMATION (CONTINUED)

Wholly-owned group

A-Cap Resources Limited was wholly-owned by Cardia Technologies Limited until 16 March 2004, a director-related company listed on the Australian Stock Exchange.

Gansu Sino-Australian Mineral Resources Development Co. Ltd was incorporated during the year with A-Cap subscribing to 100% of the capital for USD75,000.

100% of the share capital of Cardia Mining Botswana (Pty) Limited was transferred during the year to A-Cap as part of the assignment arrangements with Cardia.

Transactions between A-Cap Resources Limited and other entities in the wholly-owned group during the years ended 30 June 2003 and 2004 consisted of interest-free loans advanced by Cardia Technologies Ltd.

Aggregate amounts payable by A-Cap Resources Limited to related-party entities at balance date:

	2004	2003
	$	$
Transfer of Deferred Exploration Expenditure	**167,950**	-
New Loans from Cardia Technologies Ltd	**31,900**	-
	199,750	-
Loan Repayment	**100,000**	-
	99,750	-

Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

(a) Controlled Entities Note 16.
(b) Joint Ventures Note 18.

NOTE 16 INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	Equity Holding		Cost of Parent Entity's Investment	
			2004	2003	**2004**	2003
			%	%	**$**	$
Gansu Sino-Australian Mineral Resources Development Co. Ltd	China	Ord	**100**	-	**101,090**	-
Cardia Mining Botswana (Pty) Limited	Botswana	Ord	**100**	-	**-**	-
					101,090	-

NOTE 17 EVENTS OCCURRING AFTER REPORTING 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.

NOTE 17 EVENTS OCCURRING AFTER REPORTING DATE (CONTINUED)

In July 2004 the Company announced that the Ministry of Minerals, Energy and Water Resources in the Republic of Botswana had renewed three (3) old licences and granted 5 new prospecting licences all in the name of Cardia Mining Botswana (Pty) Limited. The licences cover tenements near or on the Limpopo Belt, north of tenements held by

Bamangwato Concessions Limited who are currently mining nickel in the Selebi-Phikwe area. The new licences cover a total area of 3,570 square kilometres and are prospective for nickel, copper, gold and other base metals.

On 20 August 2004 the Company announced that its subsidiary company in China, Gansu Sino – Australian Mineral Resources Development Co. Ltd had acquired its first exploration ground in that country. The ground acquired covers 43 square kilometres in the North Mayuan County of China.

NOTE 18 INTEREST IN JOINT VENTURES

Botswana

Jim's Luck Prospect

In September 2002 Gallery Gold Botswana (Pty) Ltd ("Gallery") entered into a joint venture agreement with Cardia Technologies Limited (interest since assigned to A-Cap Resources Ltd), and Mineral Holdings (Botswana) Pty Ltd ("MHB") whereby Gallery could earn up to 80% interest in the prospect.

Gallery advised A-Cap on 10 September 2004 that it had earned a 70% interest with A-Cap intending to maintain its 20% interest by meeting its pro-rata expenditure commitments.

A-Cap's share of expenditure for the year to 30 June 2005 is $50,100.

Magogaphate Prospects

A-Cap has a 100% interest in the prospect with MHB holding a 5% net profits share.

Although the budgeted expenditure for the year to 30 June 2005 is $1,179,787 this figure is likely to be significantly reduced as detailed in Note 14.

Queensland

Hodgkinson Basin

A-Cap holds a 40% working interest in a joint venture with Gateway Mining N.L. over the Hodgkinson Basin tenements in North Queensland.

Expenditure for the year to 30 June 2005 is likely to be limited to a level sufficient to meet the requirements under the tenements, ie approximately $20,000

19 SEGMENT INFORMATION

Primary Reporting - Business Segments

The consolidated entity only operates within one business segment being that of exploration.

Secondary Reporting - Geographical Segments

Although the consolidated entity's divisions are managed on a global basis they operate in three main geographical areas:

Australia
The home country of the parent entity which is also the main operating entity. The area of operation is in the exploration industry.

Africa
Comprises operations carried on in Botswana.

Asia
Comprises operations carried on in People's Republic of China.

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2004	2003	**2004**	2003	**2004**	2003
	$	$	**$**	$	**$**	$
Australia	**-**	-	**556,590**	100	**264,171**	-
Africa	**-**	-	**107,883**	-	**-**	-
Asia	**-**	-	**101,090**	-	**-**	-
	-	-	**765,563**	100	**264,171**	-

NOTE 20 RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Operating Loss after income tax	**(75,486)**	-	**(82,279)**	-
Changes in assets and liabilities:				
Increase/(decrease) in creditors	**(895)**	-	**(895)**	-
Net cash (outflow) from operating activities	**(76,381)**	-	**(83,174)**	-

NOTE 21 EARNINGS PER SHARE

	Consolidated 2004	2003
	$	$
Basic earnings (loss) per share	**($0.004)**	-

	2004	2003
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**22,222,691**	-

	Consolidated 2004	2003
	$	$
Net loss attributable to members of A-Cap Resources Limited used in calculating earnings per share	**(75,486)**	-

NOTE 22 CONTINGENT LIABILITIES

A-Cap and Cardia have entered into an assignment agreement under which Cardia has 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 ASX 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.

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.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 18 to 34:

a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash-flows, for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

P J Volpe
Director

Hawthorn
Dated this 30th day of September 2004

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A-CAP RESOURCES LIMITED

INDEPENDENT AUDIT REPORT TO MEMBERS OF A-CAP RESOURCES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both A-Cap Resources Limited (the Company) and its controlled entities (the Consolidated Entity), for the year ended 30 June 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

I conducted an independent audit in order to express an opinion to the members of the Company. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

(a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
(b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In my opinion, the financial report of A-Cap Resources Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004, and of their performance for the year ended on that date, and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 1, the Consolidated and Parent entity have prepared the financial statements on a going concern basis. The ability of the Consolidated Entity to continue as a going concern is dependent upon it continuing to secure sufficient funding from capital raisings by placement and new share issues or reducing future exploration expenditure commitments by entering into joint venture and farmout arrangements or relinquishing tenement areas to meet its current liabilities and current exploration expenditure commitments. If the above does not eventuate and the Consolidated Entity is not able to continue as a going concern, it may be required to realise assets and extinguish its liabilities and contingent liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

Inherent Uncertainty regarding Deferred Exploration and Evaluation Expenditure

Without qualification to the opinion expressed above, attention is drawn to the following matter. As explained in Note 1(I) to the financial statements, in accordance with the group's accounting policy, deferred expenditure of: Consolidated and Parent Entity $264,171 (2003: nil) has been included in the financial statements in respect of areas of interest in exploration and evaluation. The ultimate recovery of the group's deferred expenditure is dependent on the successful development and commercial exploitation or alternatively, the sale of the respective areas of interest.

Ian D Riley
Chartered Accountant
Melbourne, 30 September 2004

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 September 2004.

(A) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Ordinary Shares
1 – 1,000	28
1,001 – 5,000	153
5,001 – 10,000	107
10,001 – 100,000	200
100,001 and over	48
	536

(B) EQUITY SECURITY HOLDERS

The names of the ten largest holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Tony Technology (Holding) Company Limited	20,517,400	26.74
Vermar Pty Ltd	14,149,131	18.44
Polarity B. Pty Ltd	13,283,794	17.31
Rochelle Olenski	3,011,500	3.92
Bejjal Pty Ltd	3,000,000	3.91
Peter R. Clarke	2,300,000	3.00
Woorico PTY LTD	1,135,425	1.48
Gateway Mining N.L.	791,655	1.03
Graeme Menzies	750,000	0.98
Perpetual Custodians Ltd	572,917	0.75
	59,511,822	**77.56**

(C) SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are:

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Tony Technology (Holding) Company Limited	20,517,400	26.74
Vermar Pty Ltd/Trayburn Pty Ltd	13,974,960	18.21
Polarity B. Pty Ltd	13,283,794	17.31

(D) VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

Ordinary Shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options
No voting rights.

SCHEDULE OF INTERESTS IN MINING TENEMENTS

Tenement	Expiry Date	Percentage Holding	Title Holder	Comment
Botswana				
Jim's Luck PL 18/2004	30/6/11	20	Mineral Holdings (Botswana) Pty Ltd	Gallery Gold Ltd (70% [Can earn up to 80%]
Magogaphate PL 110/94	30/6/06	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Mokoswane PL 111/94	30/6/06	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Takana PL 54/98	30/6/06	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Majante PL 14/2003	31/3/06	100	Mineral Holdings (Botswana) Pty Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Shashe River East PL 44/2004	30/6/07	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Letlhakane PL 45/2004	30/6/07	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Sampowane PL 46/2004	30/6/07	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Gobe Shear PL 47/2004	30/6/07	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Shashe River West PL 48/2004	30/6/07	100	Cardia Mining Botswana (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Queensland				
Reedy EPM 9934	31/12/05	40	Gateway Mining N.L.	Gateway Mining N.L. 60%
Tempest EPM 11765	Application	40	Gateway Mining N.L.	Gateway Mining N.L. 60%
Hurricane South EPM 12240	12/6/05	40	Gateway Mining N.L.	Gateway Mining N.L. 60%
Campbell Creek EPM 10026	5/4/05	40	Gateway Mining N.L.	Gateway Mining N.L. 60%