

THIS DOCUMENT IS IMPORTANT

A-CAP RESOURCES LIMITED

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

**PROSPECTUS FOR AN ENTITLEMENTS ISSUE OF SHARES TO
MEMBERS OF CARDIA ON A 1 FOR 2 BASIS
AT AN ISSUE PRICE OF 1 CENT PER SHARE**

**THE ISSUE IS FULLY UNDERWRITTEN BY INTERESTS ASSOCIATED WITH
DIRECTORS**

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

SPONSORING BROKER

PRITCHARD & PARTNERS PTY LIMITED
Member of the Stock Exchange of Newcastle Limited
10 Murray Street
Hamilton,
NSW Australia 2303

A-CAP RESOURCES LIMITED

(ACN 104 028 542)

PROSPECTUS

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CORPORATE DIRECTORY

DIRECTORS

Patrick John Volpe (Executive Chairman)
Desmond Kong-man Wan
Peter Pena

COMPANY SECRETARY

John Howden Wilson

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

Application will be made for the Listing on Newcastle Stock Exchange Limited of all securities offered for subscription pursuant to this Prospectus.

The fact that the Stock Exchange of Newcastle Limited may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.

The Stock Exchange of Newcastle Limited takes no responsibility for the contents of the 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.

This Prospectus is dated 8 January 2004.

A copy of this Prospectus was lodged with the Australian Securities and Investments Commission on 8 January 2004. 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 of this Prospectus.

IMPORTANT DATES

EVENT	PROPOSED DATE
Record Date	19 January 2004
Despatch of Prospectus	23 January 2004
Closing Date	18 February 2004
Transaction confirmation statements despatched	23 February 2004
Expected Date of quotation of Shares on Newcastle Stock Exchange	1 March 2004

The above dates are approximate only.

A-CAP RESOURCES LIMITED

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CHAIRMAN'S LETTER

8 January 2004

Dear Shareholder,

On 29 November 2002 the members of Cardia Technologies Limited ("Cardia") agreed to a restructure of Cardia's interests in mineral exploration projects on the basis that those interests would be disposed of to a wholly-owned subsidiary and on the basis that that subsidiary would acquire the assets in exchange for the issue of conditional convertible notes with a face value of \$597,361 in reimbursement of part of the prior expenditure by Cardia. A-Cap Resources Limited ("A-Cap") as that wholly-owned subsidiary proposes to raise funds under the pro rata offer to Cardia's members contained herein on the basis of an entitlement of one (1) new share in the subsidiary for every two (2) shares held in Cardia with the shares in A-Cap being issued at an issue price of \$0.01 (1 cent) per share.

The Issue seeks to raise approximately \$723,627 on the basis that the funds raised will be applied by A-Cap to contribute to the next phase of drilling and exploration of the Jim's Luck tenements in Botswana under the farmin agreement with Gallery Gold Limited ("Gallery") to enable A-Cap to retain a 20% participating interest in that prospect, to carry out additional exploration on the Magogaphate tenements in Botswana, to meet minimum expenditure requirements on the Hodgkinson Basin tenements in Queensland, for corporate overheads and working capital requirements and to partially reimburse Cardia for exploration activity carried out on the Magogaphate tenements in Botswana since June 2002. A detailed Application of Funds Statement in Section 7 shows how the funds raised will be expended.

The funds proposed to be raised are adequate to meet A-Cap's needs for approximately 2 years and during that period A-Cap will review its financial needs and as, and if, necessary seek to raise additional capital.

Although it was initially contemplated that A-Cap would remain unlisted the Board has subsequently determined that application should be made to list A-Cap on Newcastle Stock Exchange. The increase in the proposed size of the Issue was necessary to achieve adequate funding for an application to NSX.

The projects have been held by Cardia for a significant period of time and it and other companies have carried out significant exploration on them. The terms of the offer to members of Cardia are structured to provide those members with direct interests in the projects on a pro rata basis rather than to retain their existing indirect interests through Cardia.

The Issue is fully underwritten by interests associated with the Directors as set out in Section 6.10 and, as underwriters, those persons named in Section 6.10 will receive an underwriting fee of 5% of the amount raised in respect of any underwriting commitment which they may apply in subscription for shares in A-Cap at the Issue Price.

In addition to A-Cap's exploration interests in Botswana and Australia it has recently incorporated Gansu Sino-Australian Mineral Resources Development Company Limited ("Gansu") as a prelude to making application for mining tenements in the People's Republic of China (see Section 5).

On behalf of the Board, I am pleased to offer you the opportunity to invest in A-Cap. I consider that the terms of the offer are favourable to applicants. I strongly recommend that you take up your entitlement.

Yours faithfully,



Pat Volpe
Chairman

INVESTMENT OVERVIEW

This Issue by A-Cap made to the members of Cardia represents the proposed distribution of Cardia's mining tenements into a separate vehicle approved by the members of Cardia in November 2002. The Issue seeks to raise approximately \$723,627 by way of an entitlements issue to members.

Cardia's tenements are located in Botswana and Queensland. They 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 been agreed to be reduced to a 5% net profits share and the Hodgkinson Basin tenements in Queensland being held in joint venture with Gateway Mining Limited.

The Magogaphate prospects in Botswana which are prospective for gold, base metals including lead, zinc and nickel, and diamonds and are reported on by Peter Temby and Anpet Exploration Pty Ltd whose report appears in this Prospectus.

Of all of the tenements the Jim's Luck gold prospect and the Maibele North nickel prospect are the most advanced in exploration and both of these may provide resources able to be shipped or transported to nearby plants owned by other regional explorers or otherwise proposed to be built in the area (see Section 3.1 in relation to the Jim's Luck Prospect and Section 3.3 in relation to the Maibele North Prospect).

A-Cap's primary constraint is its limited financial capacity and applicants are referred to the business and investment risks set out in Section 13 of this Prospectus. Whilst A-Cap's exploration activities will primarily be carried out in Botswana, that country is perceived as an African success story (see Section 2).

The Application of Funds statement set out in Section 7 shows that, unless A-Cap expands its level of activity, it will have approximately \$270,000 in uncommitted working capital after the Issue, which is sufficient to enable it to operate for the foreseeable future.

None of the projects in which A-Cap has agreed to acquire an interest are sufficiently advanced to determine whether they will be able to be developed and produced. Consequently, A-Cap, in like manner as most exploration companies, will have essentially no revenue stream and its future will be dependent upon the success of its projects and/or raising additional capital.

In summary, any investment in A-Cap should be considered speculative.

Interests associated with each of Mr Pat Volpe as Chairman of A-Cap and Mr Yue Sheng Fu have underwritten the Issue on the terms set out in Section 6.10 and will receive payment of underwriting commission which can either be taken in cash or equity at the Issue Price. Mr Volpe and Mr Fu are directors of Cardia. The investigating accountant's report by Mr Ian Riley assumes that the commission will be paid in cash (see Mr Riley's report).

In summary, each member of Cardia has a right to apply for 1 share in the capital of A-Cap for every 2 shares held in Cardia as at the Record Date (19 January 2004).

A summary of the details of the Issue follows.

DETAILS OF THE ISSUE

This Prospectus invites subscriptions for approximately 72,362,794 ordinary Shares at an issue price of \$0.01 per Share to raise approximately \$723,627.

Application moneys are payable in full on application.

The Shares will rank equally in all respects with each other and the existing issued shares and each Share entitles the holder to one vote on a poll at the general meetings of the Company.

MINIMUM SUBSCRIPTION

The minimum subscription is the full amount of the Entitlements Issue, namely, \$723,627 and this amount is fully underwritten as set out in Section 6.10.

ENTITLEMENTS

Accompanying this Prospectus is a personalised Entitlement and Acceptance Form, which sets out the entitlement of each member of Cardia to acquire shares in A-Cap as at the Record Date to determine entitlements to the Issue.

The Issue is an entitlements issue to members of Cardia on the basis of an entitlement to subscribe for one (1) share in the capital of A-Cap for every two (2) shares held in the capital of Cardia. See Section 6.3. On this basis a total of up to approximately 72,362,794 shares will be offered to members by way of specific personal entitlement. The exact number of shares offered may vary marginally from the above number because of rounding of entitlements.

PURPOSES OF THE ISSUE

The purpose of the Issue is to raise funds to:

- contribute to a third phase drilling and exploration of the Jim's Luck tenements in Botswana under the farmin agreement with Gallery Gold Limited ("Gallery") to enable A-Cap to retain a 20% participating interest in that prospect;
- partially reimburse Cardia for exploration activity carried out on the Magogaphate tenements in Botswana since 30 June 2002;
- conduct further exploration to determine the viability and future of the Magogaphate tenements.
- fund A-Cap's proportionate expenditure requirements on the Hodgkinson Basin tenements;
- fund reimbursement to Cardia of an amount of A\$50,000 which it has agreed to advance to A-Cap on account of capitalisation requirements in China for Gansu, a recently incorporated subsidiary as referred to in the Chairman's letter and Section 5.
- fund corporate overheads and provide additional working capital;

ISSUE EXPENSES

The cash costs of the Issue to A-Cap's account will approximate A\$86,797 (excluding underwriting fees referred to below) as set out in Section 16.9. Costs (if any) above that amount will be to Cardia's account.

APPLICATION OF FUNDS

This is summarised under the heading "Application of Funds". Apart from payment of the costs of the Issue, application of funds reflects the purposes of the Issue.

UNDERWRITING

The terms of the underwriting agreement are set out in Section 6.10. The Company will pay an underwriting fee at the rate of 5% to the entities set out in that Section.

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.

RISK FACTORS

Both the Company and any investment in it are subject to risks. Section 13 details many of those risk factors.

SUITABILITY OF INVESTMENT

Applicants should read this document carefully and in its entirety with particular emphasis on the risk factors detailed herein before deciding to invest in the Company. 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. Proposing Investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser before deciding whether to invest.

LISTING

Application will be made to NSX within 7 days after the date of this Prospectus for the Company to be admitted to the Official List of NSX and for quotation of the shares on the stock market maintained by NSX.

No application is presently being made, or is proposed to be made, in the foreseeable future for listing on ASX. The Company's capital structure, asset base and the terms of the Issue do not comply with the requirements for any application for listing on ASX. The requirements for listing on ASX can be reviewed by any interested Applicants by reference to ASX's website and are generally set out in Chapter 1 of the ASX Listing Rules (see www.asx.com.au).

Allotment of Shares to Applicants will occur as soon as practicable after Applications and Application Moneys have been received for all of the Shares. It is the responsibility of Applicants to determine their allocation of shares prior to trading in those shares. Any Applicants who sell shares before they receive their shareholding statements will do so at their own risk.

It is expected that trading on the stock market conducted by NSX will commence as soon as practicable after allotment of the Shares and despatch of shareholding statements. If the Company has not been admitted to the Official List of NSX within 3 months of the date of the issue of this Prospectus then all Application Moneys will be refunded in full. Interest will not be paid on Application Money refunded.

CHESS

The Company will apply to be admitted to participate in the Clearing House Electronic Subregister System ("CHESS"), in accordance with NSX Listing Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an 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 elect to hold shares on the issuer-sponsored sub-register will be provided with a transaction confirmation statement (similar to a bank account statement), which sets out the number of Shares allotted to the shareholder under this Prospectus. For shareholders who elect to hold the shares on the CHESS sub-register, the Company will also issue a transaction confirmation statement that sets out the number of Shares allotted to the shareholder under this Prospectus and 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.

A statement (whether issued by CHESS or the Company) will provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial statements to all shareholders, a holding statement will be provided to a shareholder at the end of any subsequent month during which the balance of the shareholder's holding of shares changes.

OVERSEAS INVESTORS

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 and New Zealand.

The Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to their Application. The return of a duly completed Application will be taken by the Company to constitute a representation and warranty that there has been no breach of such regulation and that all necessary approvals and consents have been obtained.

SPECULATIVE NATURE OF OFFER AND PROJECTS

This Prospectus and the projects in which the Company's subsidiaries have invested should be considered as speculative given the nature of the exploration and the risks discussed in Section 13 of this Prospectus.

CORPORATE STRATEGY

The Company's corporate strategy is:

- to initially acquire the mining tenements held by Cardia which were authorised by general meeting of the members of Cardia to be transferred and assigned to the Company;
- to maintain an interest in those tenements during a review period and to participate actively in the various joint ventures to which those tenements are subject and which are described herein;
- to maintain and retain those tenements on which potential viable resources and/or reserves may be able to be established and to joint venture, dilute or dispose of other interests held.

While the Company's initial assets are focused on gold, nickel, base metals and diamonds in Botswana and Queensland, the Company will not be limited to exploration or development of those minerals and will undertake assessment of projects which are not limited to exploration but which may involve the exploration, development and processing of all types of mineral resources. These may include base metals, rare earths, diamonds and other hard rock minerals.

As part of this strategy, the Company has incorporated Gansu Sino-Australian Mineral Resources Development Company Limited ("Gansu"), as referred to in the Chairman's letter and which may acquire various interests in tenements in the People's Republic of China in the circumstances set out in Section 5 below.

PRESENT OPERATIONS

1. OPERATIONS

Sections 1 to 4 set out details of the Company's operations.

- The Jim's Luck project and the other Botswanan Projects are situated located in northeast Botswana.
- The Hodgkinson Basin Project is located in the Hodgkinson Basin approximately 120km northwest of Cairns and covers approximately 270km².

2. BOTSWANA - "An African success story"

Most Australians have little if any 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 second largest city Francistown, with the remainder living 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. The Country 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 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.

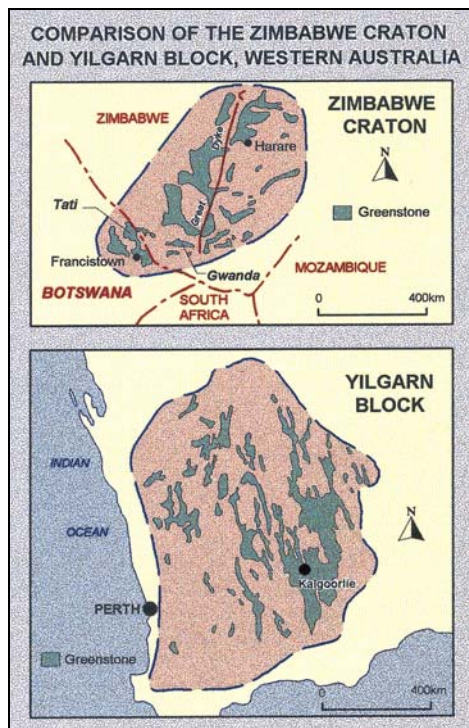
3. BOTSWANA - PROJECTS

The Botswana Project comprises tenements in two geographically and geologically distinct areas known as the Tati Schist/Greenstone area and the Magogaphate area.

The sole tenement in the Tati Schist/Greenstone area is known as the Jim's Luck Prospect reported on below. This tenement is near the town of Francistown in Northeast Botswana. The main focus of exploration on this prospect is gold mineralisation.

The tenements in the Magogaphate area are, logically, referred to herein as the Magogaphate tenements and these lie approximately 110km southeast of Francistown and are prospective for base metals although past exploration results indicate there are anomalous gold and platinum values associated with the base metals. They may also have potential for exploration for diamonds.

Regionally the Tati area forms part of the southwest corner of the Zimbabwe Craton 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. Figure 1 shows the location of the Tati Greenstone belt and the Zimbabwe Craton and their size in relation to the Yilgarn Archaean Greenstone belts of Western Australia.



**Figure 1 - Comparison
Zimbabwe Craton & Yilgarn Block**

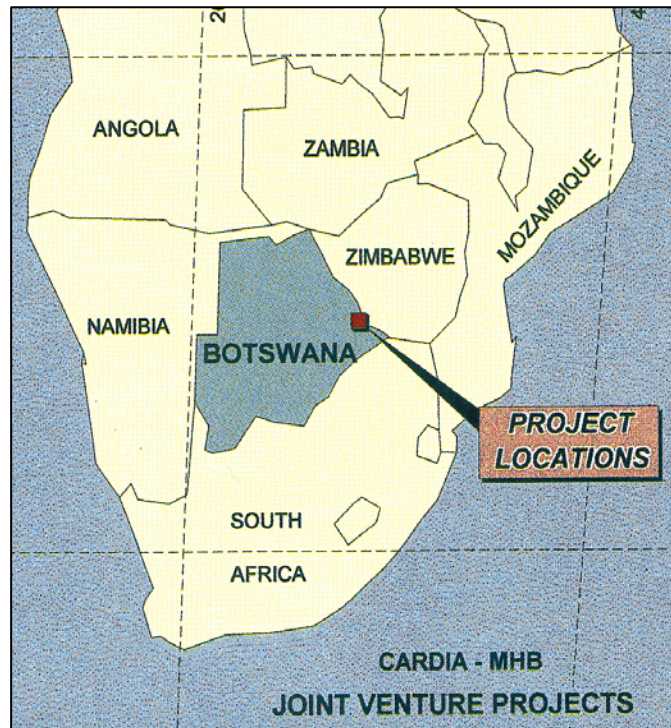


Figure 2 - Botswana Project Locations

The location of the tenements is set out in Figure 2. Detailed tenement maps appear in relation to each project or in Anpet Exploration Pty Ltd's report.

Cardia, which is assigning its interest in the tenements to A-Cap, holds its interest in the tenements by virtue of a joint venture agreement with MHB, which is a company incorporated in the Republic of Botswana.

The tenements covered by the joint venture agreement comprise, first, a series of tenements prospective for gold, secondly, a further series of tenements prospective for base metals and, thirdly, recent applications for tenements covering, among other things, diamond exploration. The terms of the farm-in agreements comprising the joint venture agreement are summarised in Section 14 under the heading "Material Agreements".

All of the tenements are granted in the name of MHB. Various of the tenements have been renewed or have been agreed to be renewed. Other tenements have not yet been agreed to be renewed. Applicants are referred to the report by Anpet Exploration Pty Ltd and to Section 13 detailing risk factors to which the Company is subject. Others remain in application stage.

The current status of the tenements is set out in Table 1 below. Details of A-Cap's interest in each of the tenements are set out in the commentary in relation to each of the projects. Exploration budgets in relation to the projects (as opposed to specific tenements) are set out in Table 3 below.

Title	Name	Status	Date of grant/ or renewal	Expiry/ renewal date	Annual Rent	Minimum Expenditure 2003 (Pula)	Comments
PL 140/94	Jims Luck – White Elephant	Granted	1/7/2001	30/6/04	1000	100 000	Application renewed
PL 110/94	Magogaphate	Granted	1/7/2001	30/6/03	1000	250 000	100% renewal sought, application lodged with Dept of Geological Survey
PL 111/94	Mokoswane	Granted	1/7/2001	30/6/03	1000	275 000	100% renewal sought, application lodged with Dept of Geological Survey
PL 14/2003	Majante	Granted	1/1/2003	Not yet Advised	1000	Not yet Advised	Grant documents not yet forwarded to MHB by Department.
PL 54/98	Takane	Granted	1/7/2001	30/6/03	1000	100 000	100% renewal sought, application lodged with Dept of Geological Survey
PL A	Gobe Shear	Appl'n	N/A	N/A	1895 est on grant	N/A	Application lodged with Dept of Geological Survey
PLA	Lethakane	Appl'n	N/A	N/A	4843.75	N/A	Application lodged with Dept of Geological Survey
PLA	Sampowane	Appl'n	N/A	N/A	4759.38	N/A	Application lodged with Dept of Geological Survey
PLA	Shashe River East	Appl'n	N/A	N/A	2500	N/A	Application lodged with Dept of Geological Survey
PLA	Shashe River West	Appl'n	N/A	N/A	3056.25	N/A	Application lodged with Dept of Geological Survey

Table 1 - Current status of Botswana Tenements

A-Cap has agreed to acquire the Magogaphate tenements (subject to a 5% Net Profits Share to MHB) and to acquire Cardia's 20% interest in the Jim's Luck Prospect referred to below, in the latter case subject to the terms of the joint venture and farmin agreement with MHB and Gallery Gold Ltd ("Gallery").

3.1 Jim's Luck Prospect

The Jim's Luck Prospect comprises a mining licence PL140/94 which is surrounded by tenements owned by Gallery. Figure 3 shows the location of the Jim's Luck Prospect.

In September 2002 Cardia and MHB entered into a joint venture agreement with Gallery under which Gallery agreed to farm into the Jim's Luck Prospect which is one of the gold tenements the subject of the joint venture between Cardia and MHB. The terms of the farm-in agreement are summarised in Section 14 under the heading "Material Agreements". That joint venture agreement has recently been renewed on substantially the same terms.

As referred to in Section 14.2 Gallery has earned an interest in the Jim's Luck property from partners Cardia and Mineral Holdings Botswana (Pty) Ltd under the terms of the joint venture agreement signed in September 2002. The agreement provided for Gallery to earn a 60% interest by expending Botswana Pula 750,000 (A\$221,250 approximately) within three years and an additional 20% interest by expending a further Botswana Pula 500,000 (A\$147,500 approximately). The recently executed joint venture agreement between Cardia and Gallery reflects this interest. Cardia has given notice to Gallery that it proposes to maintain its 20% interest by meeting its pro rata expenditure commitments.

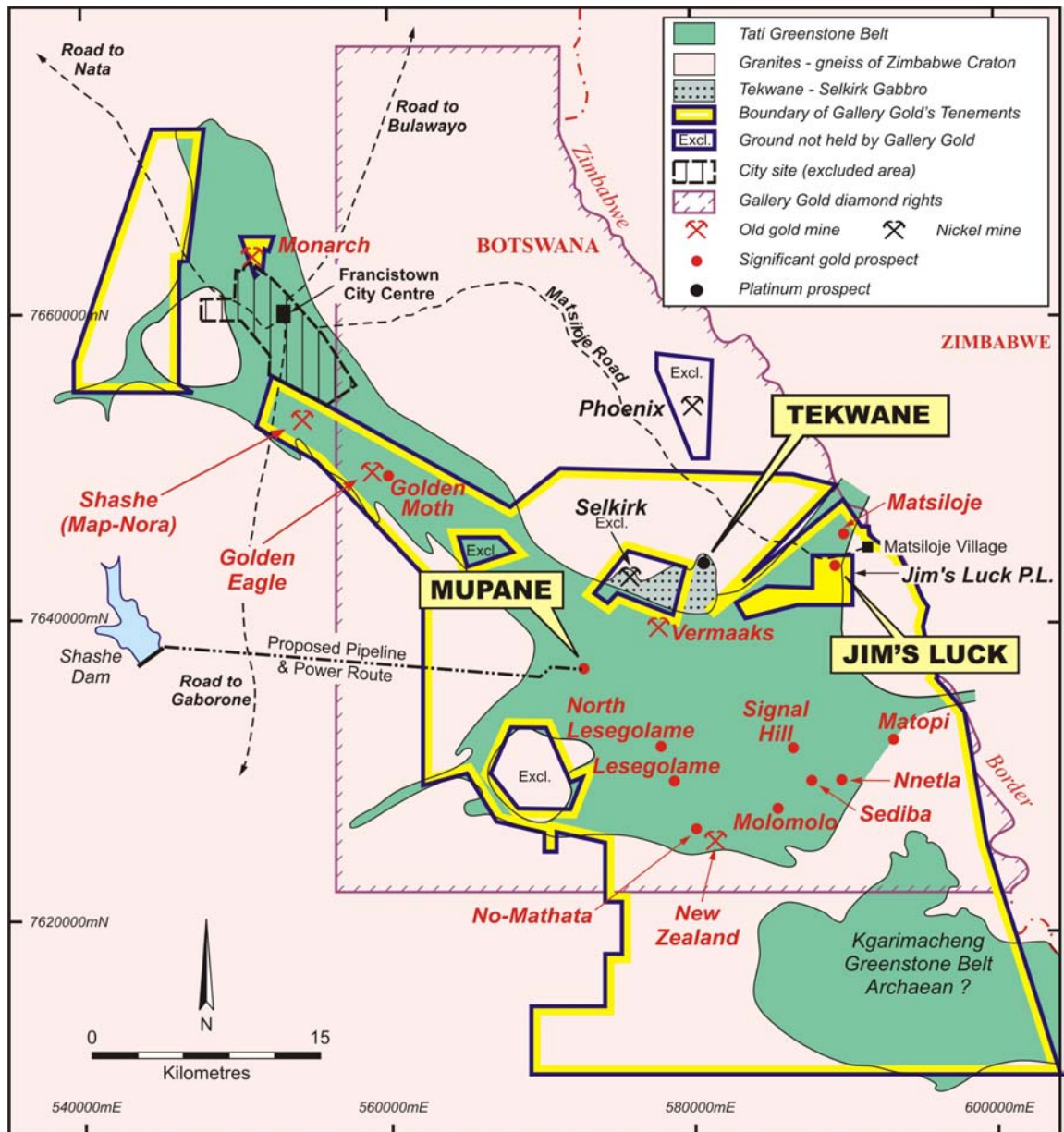


Figure 3 - Location of Jim's Luck Prospect

A-Cap has budgeted for expenditure of up to \$50,000 for the project for the year ended 30 June 2004 to maintain the 20% interest it is acquiring.

Results from Gallery's Drilling On Jims Luck Prospect

Gallery has carried out a 2 phase drilling program of 17 reverse circulation (RC) drill holes on the Jim's Luck joint venture property in northeast Botswana that is only 25 kilometres by existing roads from it's proposed Mupane gold mine development (shown in Figure 3).

The exploration program carried out by Gallery included geophysics, geological mapping, trenching (as well as drilling) reveals that there are two primary packages of BIF horizons, the western one (Matsiloje trend BIF) and the eastern one (Jim's Luck trend BIF). The two trends make up the Matsiloje BIF ridge, with the Matsiloje trend forming higher parts of the ridge and the Jim's Luck trend forming a slightly lower topographical ridge.

The Matsiloje trend has mostly the less deformed, specularite hematite rich BIF horizons (Oxide facies BIF) with less chert than the chert BIF to the east. There is very limited stockwork veining with most of the veins infilling tension gashes. The veins commonly have sharp contacts with the country rock suggesting limited fluid-country rock interaction. There are some lenses of chert BIF along the Matsiloje trend, especially the southern end close to the Ratomo Creek.

The Jim's Luck trend BIF is a more deformed cherty BIF with a stockwork of quartz carbonate veins and veinlets. This unit is gossanous in places especially where it is complexly folded and heavily veined. There are some thinner lenses of oxide facies BIF along the Jim's Luck trend.

Figure 4 set out below comprises a map of the area of the Jim's Luck Prospect the subject of the exploration program over a strike length of 1500m and shows the Matsiloje trend BIF and the Jim's Luck BIF as referred to above.

Figure 4 also shows the location of the 17 drill holes: the most significant results from which are referred to in Table 2 set out below.

Hole No	From M	To M	Interval M	Grade g/t Gold
JIMC 01	70	73	3	2.43
JIMC 02	59	67	8	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 16	3	13	10	1.14
including	3	6	3	1.91
JIMC 17	19	27	8	0.92
including	19	22	3	1.42

Table 2 - Significant Drilling Results from Drilling Program by Gallery

Nine of the holes targeted the Jim's Luck Cherty BIF horizon (JIMC 01, 02, 03, 06, 07, 10, 11, 14 and 15) and only one of these (JIMC 14) did not intersect significant mineralisation. Within this mineralised zone, there are two localities of particularly elevated values suggesting the presence of two small shoots. The northern shoot is centred around hole JIMC 03 and the southern one around hole JIMC 02.

Six drill holes (JIMC 4, 5, 12, 13, 16 & 17) were drilled to test targets within the Matsiloje trend BIF and 3 (JIMC 12, 16 & 17) had notable intersections from two different localities.

The RC drilling programme confirmed the observed surface geology with minor lithological boundary refinements. Most of the geological targets were intersected where expected. The drilling has also shown that most of the outstanding intersections are hosted in the Chert BIF.

Gallery stated in its 10 January 2003 release to ASX to the effect that early indications are that the Jim's Luck Prospect has excellent potential to provide gold reserves that could be trucked to the proposed Mupane plant for processing.

At this stage there is no indication from Gallery as Manager that the exploration program has led to a defined resource being established but your directors consider that the continuing success of the drilling program is significant. Ongoing exploration is proposed by the parties which will have, as an aim, the definition of resources to determine the viability of the project either for the purpose of supplying feedstock to the Mupane plant for processing in due course, or otherwise.

On 23 June 2003, Gallery announced to ASX that it had made solid progress towards the procurement of project finance for the proposed development of its Mupane gold mine and with its negotiations with the Botswana Government for the issue of a mining licence. Additionally, it announced that following the receipt of definitive term sheets from the two short listed banking

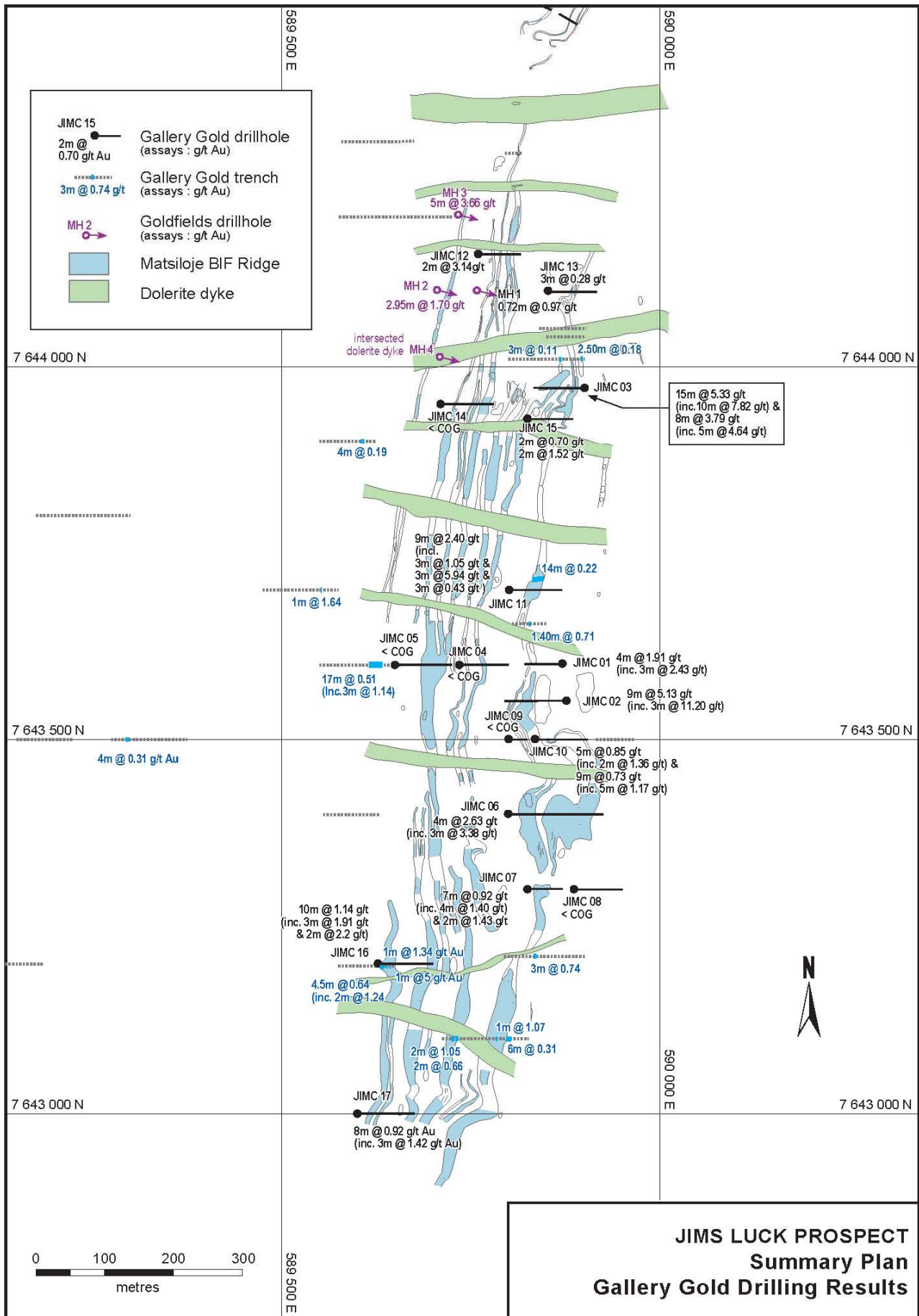


Figure 4 - Detailed Map of Jim's Luck Prospect showing Matsiloje trend BIF and Location of Drill Holes JIMC 01 to JIMC 17 as referred to in Table 1

syndicates announced on 29 May, 2003, Macquarie/Investec has been selected as the preferred financier for the Project. Gallery announced that it was in position to lodge the Mupane mining licence application during the week ended 30 June 2003 and that the Botswana Government review process should take approximately 2 months.

Given the above Cardia resolved to retain its interest in the Jim's Luck Prospect at 20% and has agreed to assign that interest to A-Cap.

3.2 Magogaphate Tenements

The Magogaphate tenements cover a series of prospects, which are prospective for gold, copper-gold, zinc-lead gold and nickel-copper gold targets. These prospects are dealt with below and in more detail in the independent report by Anpet Exploration Pty Ltd, which is attached hereto.

The report by Anpet Exploration Pty Ltd incorporates the results of the recent drilling program on the Magogaphate tenements.

The Location of the existing Magogaphate Tenements are shown in Figure 5 below. Detailed maps in relation thereto are set out in the report by Anpet Exploration Pty Ltd as contained herein. 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.

As set out in Section 14.5 under the heading "Material Agreements" Cardia has agreed to assign its interest in these and other newly applied for tenements to A-Cap. Insofar as the Magogaphate Tenements are concerned, Tenement No 52/90 which covers the Maibele North and Sekgopye Prospects has been renewed as Tenement 14/2003 with an expenditure commitment of BP100,000 required to be met by March 2004. This is approximately A\$30,000 and is within the budgeted expenditure set out in Section 3.6. Tenements Nos PL110/94, PL111/94 and PL54/98 remain under application for renewal.

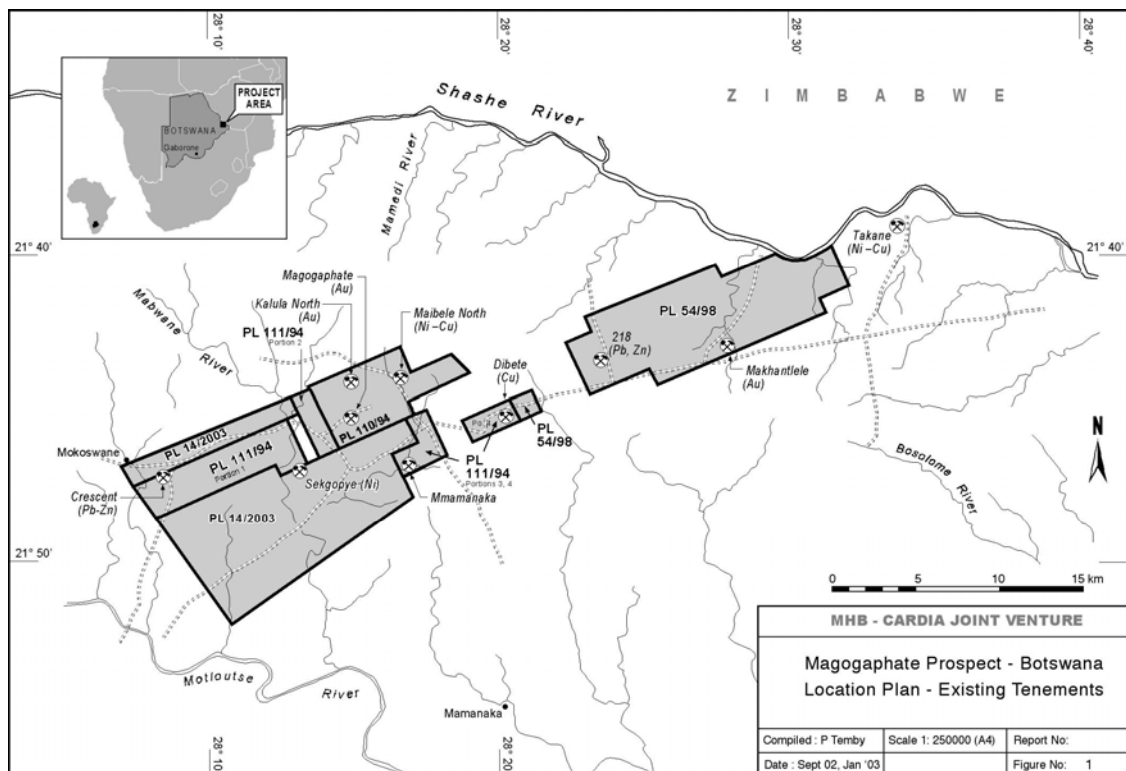


Figure 5 - Location of existing Magogaphate Tenements

Figure 5 above, which comprises Figure 1 of the report by Anpet Exploration Pty Ltd shows the location of the existing tenements including Tenement No 52/90 renewed as Tenement No 14/2003. Figure 5 to Anpet Exploration Pty Ltd's report shows the location of the recent applications which have been made by MHB on behalf of the MHB – Cardia Joint Venture which has been agreed to be acquired by A-Cap on the basis set out herein.

It should be noted that MHB has agreed to transfer its interest in all of the Magogaphate Tenements in exchange for a 5% net profit share as referred to in Section 14.5(e) under the heading "Material Agreements".

3.3 Nickel Prospects

The primary nickel prospect is the Maibele North Prospect referred to below. Other prospects are referred to in the report by Anpet Exploration Pty Ltd.

Maibele North Prospect

This prospect has had significant exploration activity on it and Falconbridge Exploration Botswana Pty Ltd has advised that the prospect contains a defined resource of 380,000 tonnes at 2% nickel with 0.5% copper and indications of platinum group elements. That resource has not been verified by the Company or by its consultants and the Company proposes to undertake a review of the resource to determine its extent and whether it represents a viable mining opportunity. A-Cap hopes that the review will establish that the reported resource may be mineable as a source of direct shipping ore to a smelter at Selebi Phikwe located approximately 50 kilometres away by road.

As reported by Mr Temby ". . . substantial additional potential exists in untested coincident EM and structural targets identified . . . at both Maibele North and other prospects.". Additionally, structural targets which may be able to be developed in conjunction with this prospect have been identified at the Sampowane prospect that is within the area of a new tenement applied for by MHB and which, on completion of the agreement with MHB, will be held on behalf of A-Cap.

3.4 Gold Prospects

The primary gold prospects are referred to below. Details of recent drilling programs and the results thereof are more particularly set out in the report by Anpet Exploration Pty Ltd to which Applicants are referred.

Magogaphate Gold Prospect

The primary gold prospect is the Magogaphate Gold Prospect. A report to the Botswanan 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 at 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 anomalies gold zones are broad: up to 250m width whereas the other anomalous metal zones are even broader: up to 500m width. Drilling has shown ground preparation and alteration styles are very similar to Renco in Zimbabwe. Additional work is required to locate strongly mineralised bodies within the favourable zones identified.

Makhanthele Gold Prospect

The Makhanthele Gold Prospect is interpreted to have a strike length of at least 8km long with possibly 2 or 3 sub-parallel horizons with anomalies being 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 and Kalula North Gold Prospect.

Other

The report refers to other gold prospects (Mmamanaka and Dibete Prospects) that, although prospective, are at an earlier stage level of exploration and are to be the subject of additional future work.

3.5 Lead Zinc Prospects

The primary lead zinc prospect is the Crescent Lead Zinc Prospect referred to below. Details thereof are more particularly set out in the report by Anpet Exploration Pty Ltd to which Applicants are referred.

Crescent Lead Zinc Prospect

The principal lead zinc prospect is the Crescent Prospect and two holes have been drilled to test this prospect. Wide intersections of disseminated sulphides were found in both holes. Some zones had sulphides, predominantly pyrrhotite, of up to 15%. Low order lead zinc values were found by drilling that confirms the regional prospectivity for copper zinc lead mineralisation.

Other

The 21B, 21D and 21E prospects are prospective for lead zinc mineralisation on which much sampling and mapping work has been done. Data available in relation to these prospects requires reinterpretation to determine their prospectivity and to enable selection of drill targets.

3.6 Exploration Budget - Botswana Prospects

A-Cap has allocated A\$50,000 for continued exploration in relation to the Jim's Luck Project for the period to 30 June 2004.

A total of up to \$150,000 has been allocated for expenditure in relation to Magogaphate prospects for the same period.

A summary of the exploration budgets for the year ended 30 June 2004 in relation to the Botswana prospects is set out in the Table below. This shows details of each prospect, the tenement details and the cost or estimated cost thereof.

The expenditure commitment in relation to the Jim's Luck prospect is considered by A-Cap as sufficient to enable A-Cap to maintain its 20% equity in the project based on information provided by the joint venture manager.

Prospect	Tenement Details	Budgeted Expenditure Y/E 30 June 2004
Jim's Luck	PL140/94	\$50,000
Maibele North and Sekgopye	PL14/2003 (formerly PL52/90)	\$43,000
Magogaphate Gold and Kalula North	PL110/94 (subject to renewal)	\$43,000
Dibete, 21B, 21D and 21E	PL 54/98 (subject to renewal)	\$43,000
Crescent	PL 111/94 (subject to renewal)	\$21,000
Total:		\$200,000

Table 3 - Estimated Exploration Budgets for Botswana Projects

At this stage, no expenditure has been budgeted in the table set out above for new applications applied for. Any applications granted will have expenditure requirements associated with them and the Company will be liable for those expenditure requirements under the terms of the agreement with MHB referred to in Section 14.5(e) below.

4. HODGKINSON BASIN

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 Company is in joint venture with Gateway Mining NL. Gateway Mining NL is the Manager of the project and holds a 60% interest in the tenements. Cardia has assigned its 40% working interest in the tenements to A-Cap. Work began in the Basin in 1995 and has continued with success up until the present. Expenditure for the joint venture for the financial year to 30 June 2004 will likely be limited to that level of expenditure sufficient to meet the requirements under the tenements and is estimated at approximately \$16,000 by Gateway Mining NL.

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 pit gold resources contained within quartz reef systems.

The projects comprise Reedys EPM 9934, Tempest EPM (A) 11765, Campbell Creek EPM 10026 and Hurricane South EPM 12240. Applicants should refer to the report by Corrs Chambers Westgarth as to status and for native title issues in relation to Tempest EPM (A) 11765. Tempest EPM (A) 11765 is included within the review of Reedys and is not dealt with as a separate project.

Previous exploration was carried out by BHP Minerals, Placer, Poseidon, Dominion Mining, Strategic, Homestake and Freeport. Work included gridding, soil and rock geochemistry, geological mapping and drilling.

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.

Work at Hurricane South at the Stibnite Hill prospect outlined a large anomalous basin coincident with NW trending structural zones identified with geological mapping.

The Company and its Joint Venture partners have identified several coincident structural/anomalous zones with the potential to host significant gold mineralisation. Most of these zones remain untested.

Location maps showing the generalised location of the Hodgkinson Basin and, within that, the tenement areas, are set out below in Figures 6 and 7.

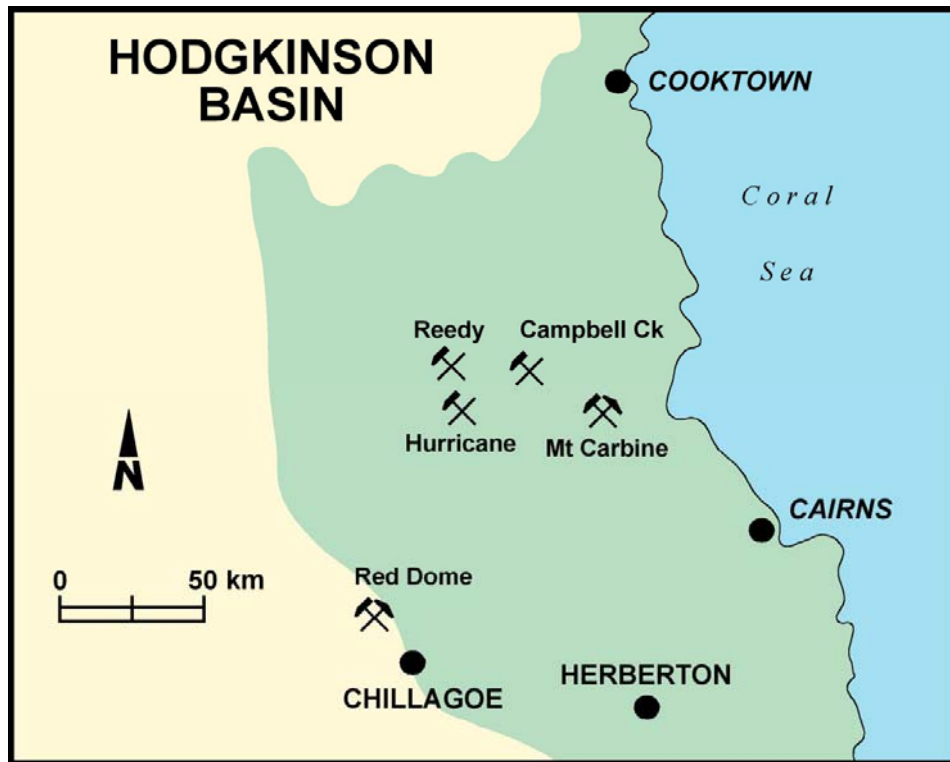


Figure 6 - Location of Hodgkinson Basin

4.1 Tenements

The Hodgkinson Basin Projects consist of three projects summarised below. Additional details of the tenements are to be found in the report from Corrs Chambers Westgarth relating to native title.

Project	Title	Area
Reedy Including Tempest	EPM 9934	13 sub-blocks
	EPM(A) 11765	5 sub-blocks
Hurricane South	EPM 12240	6 sub-blocks
Campbell Creek	EPM 10026	13 sub-blocks

4.2 Geology

Regional

The Hodgkinson Basin is a deformed marine sedimentary sequence of Siluro-Devonian age, which has been divided into three main lithological types referred to as the Mt Garnet, Chillagoe and Hodgkinson Formations. These have been intruded by rocks of Permo-Carboniferous age, mainly granitoids.

Four deformational events have been recognised which have resulted in extensive folding and faulting and in the eastern portion of the basin, the development of “broken formation” or melange zones which tend to lie adjacent to the major northwest trending faults. Such faults appear to have controlled the intrusion of some of the granitoids and probably represent deep crustal structures that have been active for considerable time. As such, these northwest faults are considered to be major targets for the exploration of mylonite hosted gold deposits.

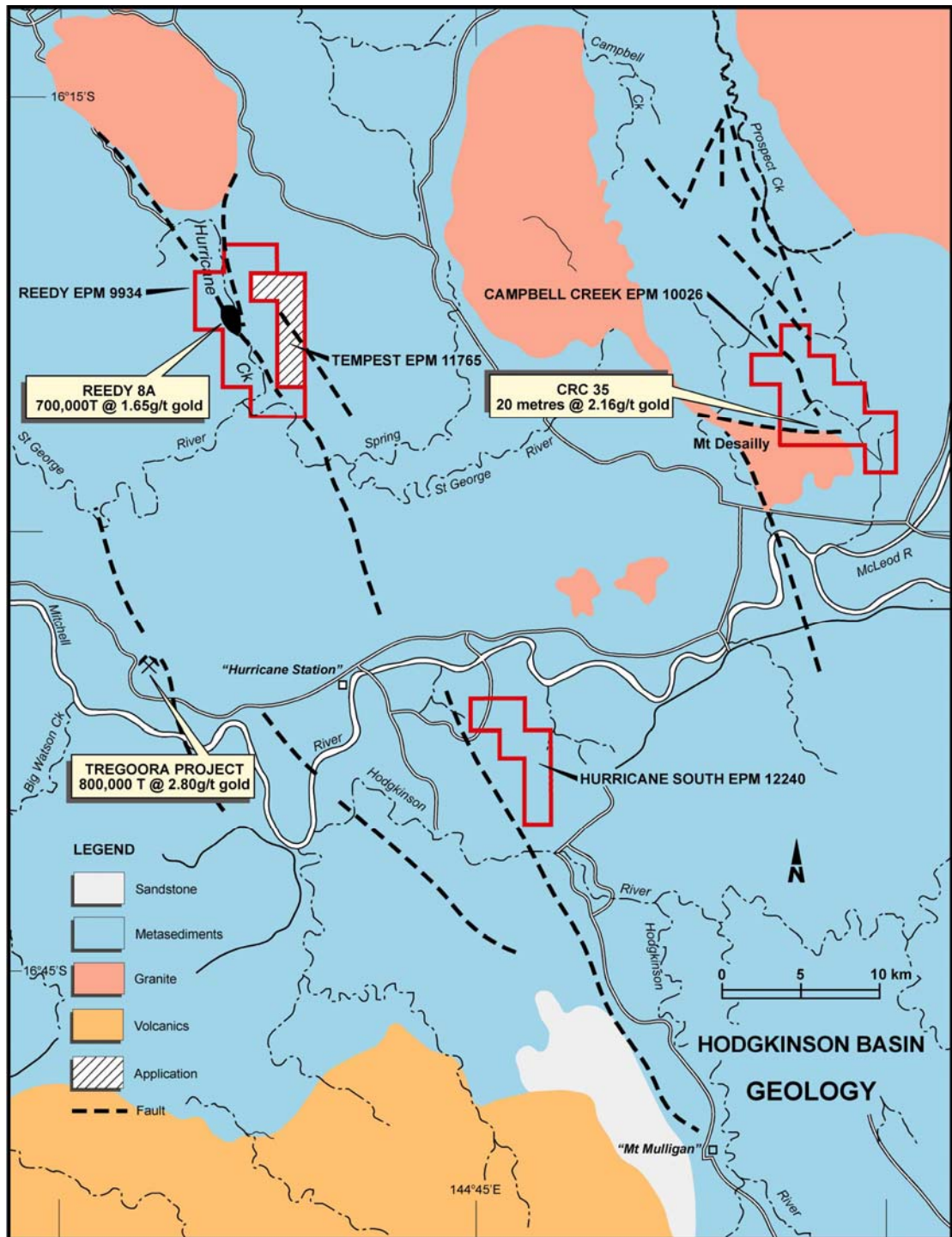


Figure 7 - Location of Reedy, Campbell Creek and Hurricane South Projects

Local

The principal rock types in the project area are of the Hodgkinson Formation comprising Devonian turbiditic sediments, primarily greywackes and siltstones with minor basic volcanics, cherts and limestones. The rocks have undergone strong folding and low-grade metamorphism.

(a) Reedy Project

Intruded into the northern part of the project is the Cannibal Creek Granite and numerous dykes. Structurally the project is located along the confluence of three major fault systems, the Kondaparinga, Hurricane and Fiery Creek Faults. The north to northwest trending Kondaparinga Fault appears to have had a controlling influence on the emplacement of the Cannibal Creek Granite.

(b) **Campbell Creek Project**

Numerous late stage granitoids flank the area, the central portion of the project is dominated by the Major Tullah Fault Zone. The broad structural trend of the folding, faulting and shearing is north-north westerly which is also paralleled by various dykes and veins.

(c) **Hurricane South Project**

The area is dominated by massive greywackes which commonly form prominent strike ridges and are interbedded with mudstones.

4.3 **Mineralisation**

Regional

The Hodgkinson Basin hosts widespread and varied mineralisation including tin, copper, antimony, tungsten, fluorite, lead, silver and gold. Several major centres of past production exist including the Herberton Tinfield and the Palmer River Goldfields which has a record gold production of 1.3 million ounces, 10% of which came from hard rock mines, the remainder being alluvial.

Gold mineralisation occurs in four different geological settings including veins in the Proterozoic, skarn and metasomatic limestone deposits associated with Permo-Carboniferous intrusives and volcanism, eg Red Dome but these are not part of the Basin – they are the rim of the Basin. Polymetallic shallow veins associated with intrusive rocks and gold-quartz and gold-antimony veins within shear zones in the Hodgkinson Formation. It is this last style that occurs in the projects being discussed.

Local

Gold mineralisation is closely associated with quartz veining within dilational zones on the trending structural zones. Exploration to date has identified and focused on two principal types of quartz veining. An earlier style of veining is more commonly associated with ductile shearing of the shale, siltstone host rock, as seen at the Campbell Creek Project. A later style of veining being more brittle resulting in stockworking and brecciation of the greywacke host rock as identified at Reedy and Hurricane South.

Quartz veining and associated mineralisation style is indicative of the host rocks, shaley horizons hosting ductile shears whilst brittle zones of stockworking and brecciation are hosted by the more massive greywacke units.

Higher gold grades are generally confined to quartz veins and weaken in the altered host rock in the brittle environment. Gold grades of up to 30.10g/t have been drill intersected at the Reedy Project. Wider zones of evenly distributed gold mineralisation are confined to ductile hosted environments such as the Campbell Creek Project where drilling intersected a 19 metre wide zone @ 2.14 g/t gold.

Antimony, as stibnite is a frequent minor associate of gold as is arsenopyrite, pyrite and minor chalcopyrite. Analysis of stream geochemical data identifies a gold-arsenic-molybdenum+/-copper mineralised signature at the Reedy Project.

4.4 **Prior Exploration**

Reedy Project

Utah, Carpentaria Exploration Company Pty Limited, Gold Copper Exploration Limited, Newmont Australia Limited and BHP all located gold stream sediment anomalies.

In 1989 Dominion Mining Limited, in joint venture with Austwhim Resources NL, located five well defined and prospective target areas. The Joint Venturers have concentrated on one of these areas, Reedy 8A. Drilling in late 1995 confirmed economic grade gold mineralisation.

In November 1996, Gateway Mining NL completed 2688 metres of drilling over a strike length of 1.3 kilometres. Significant results included 10m @ 6.95 g/t gold and 7m @ 4.07 g/t gold. A total

inferred, indicated and measured resource of **700,000 tonnes @ 1.65 g/t gold** was calculated to a vertical depth of 40 metres.

A second program totalling 3004 metres, completed in June 1997, further tested the known resource. Wide spaced drill testing of the southern extension over a 600 metre strike length has confirmed the continuation of mineralisation to the south. Significant drill hole intersections included 3m @ 2.03 g/t and 1m @ 6.30 g/t gold. Drilling confirmed the existence of gold mineralisation in the northern extension. Values included 1 metre @ 3.21g/t gold in hole RCR176 and 3 metres @ 1.28g/t gold in hole RCR178. Infill and deeper drilling of the main zones confirmed mineralisation continues at depth.

Additional work has thereafter concentrated on proving up additional geochemical zones for drill testing. The company conducted detailed geological mapping, gridding, soil sampling and detailed stream sediment sampling programs.

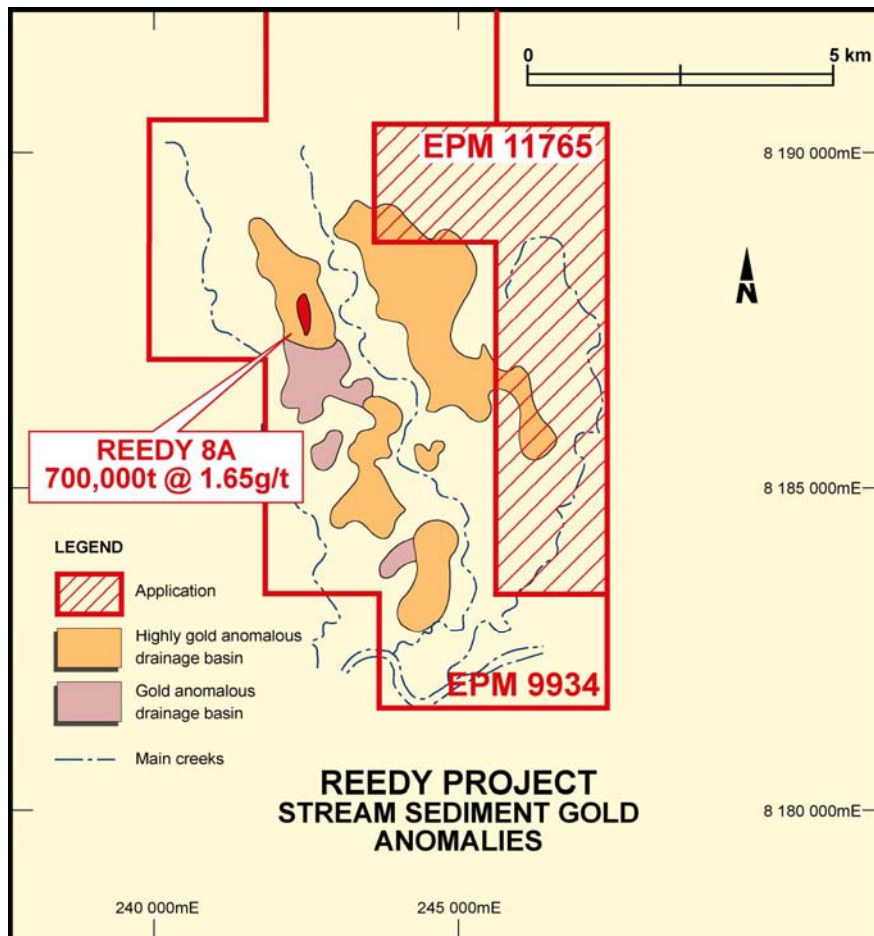


Figure 9 - Reedy Project – Stream Sediment Anomalies

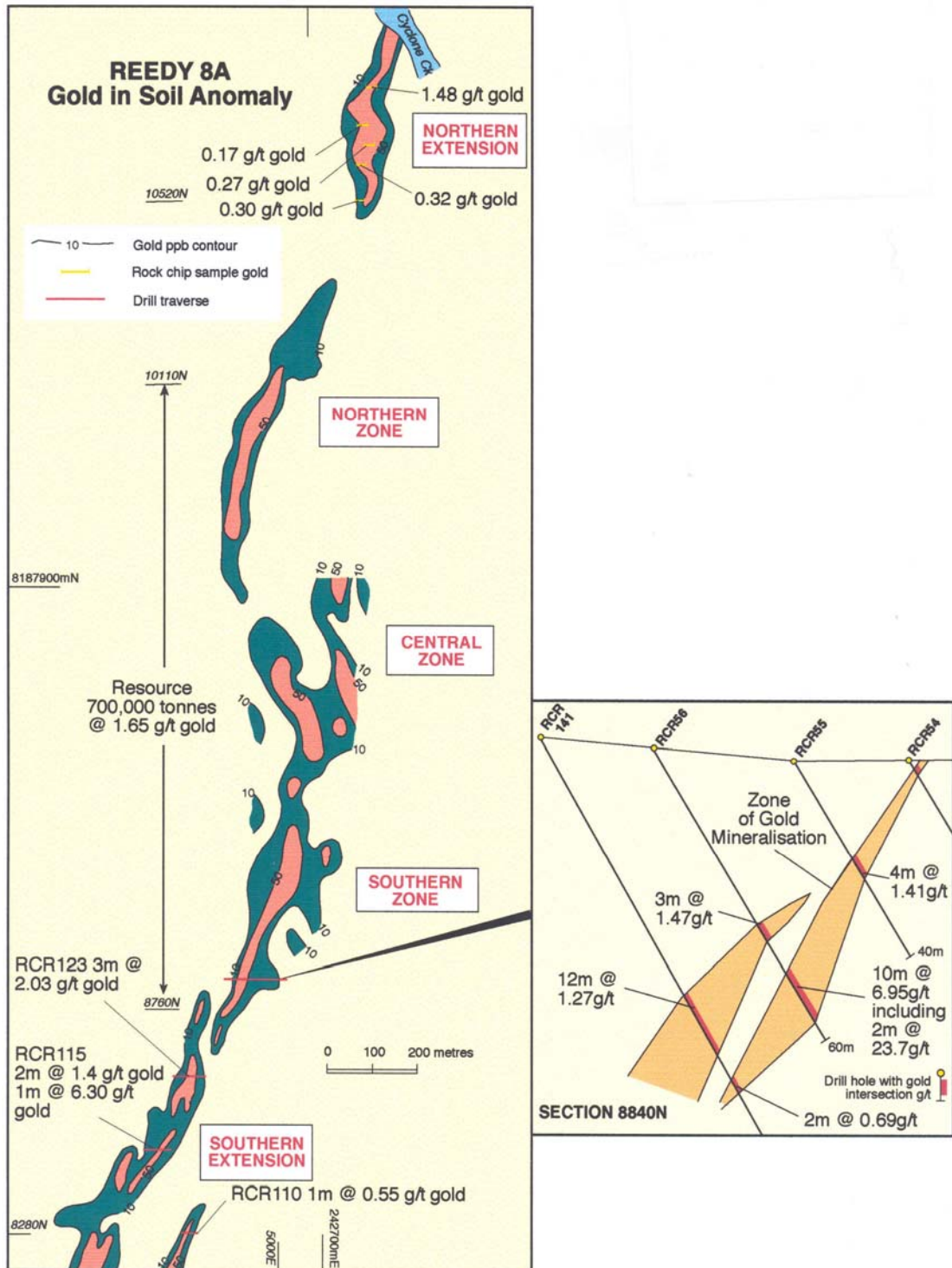


Figure 10 - Reedy Creek: Gold in Soil Anomalies - Drill Cross-Sections

Stream sediment results have better defined four interesting gold bearing areas within five kilometres of Reedy 8A. One of these is a continuation of Reedy 8A and bears the same gold-arsenic-molybdenum signature. A similar signature occurs in two of the other zones while the last has a gold only geochemical association. Mapping of these areas has identified zones of north-south trending quartz veins.

A total of twelve samples were selected from oxide and sulphide zones for metallurgical testing by bottle roll tests (12 hour active cyanide leach, solvent extraction, flame AAS). Results from the bottle rolls have demonstrated the refractory nature of gold mineralisation in the primary sulphide zone with samples returning an average gold recovery of 19.1%. Samples taken from the secondary oxide zone revealed excellent recovery rates by cyanide leach with an average gold recovery of 94.1%.

More metallurgical testing is required to fully test the primary ore. A range of advanced processes are currently available that may suit this type of free gold-sulphide association. Activox and bio ox methods can yield recoveries of 90%, but full mineralogical and metallurgical testing is required for verification.

Campbell Creek Project

Considerable reconnaissance exploration has been carried out, most of it involving drainage geochemistry with an emphasis on the search for alluvial gold, tin and tungsten. Small amounts of alluvial gold have been produced and evidence of prospector activity can be seen in gold pits along some of the quartz reefs in the area.

Exploration by BHP in the late 1980's located eleven gold-bearing quartz vein systems within a 1.5 kilometre strike length. Despite significant drill hole intersections, including 4m @ 14.5 g/t gold and 10m @ 2.0 g/t gold, no further work was carried out.

Drilling by Gateway in 1995 confirmed the presence of a number of mineralised shear (mylonite) zones. During 1996 the Company conducted stream sediment sampling and a drilling program. Stream sampling confirmed the existence of several gold bearing basins and highlighted the prospectivity of the area.

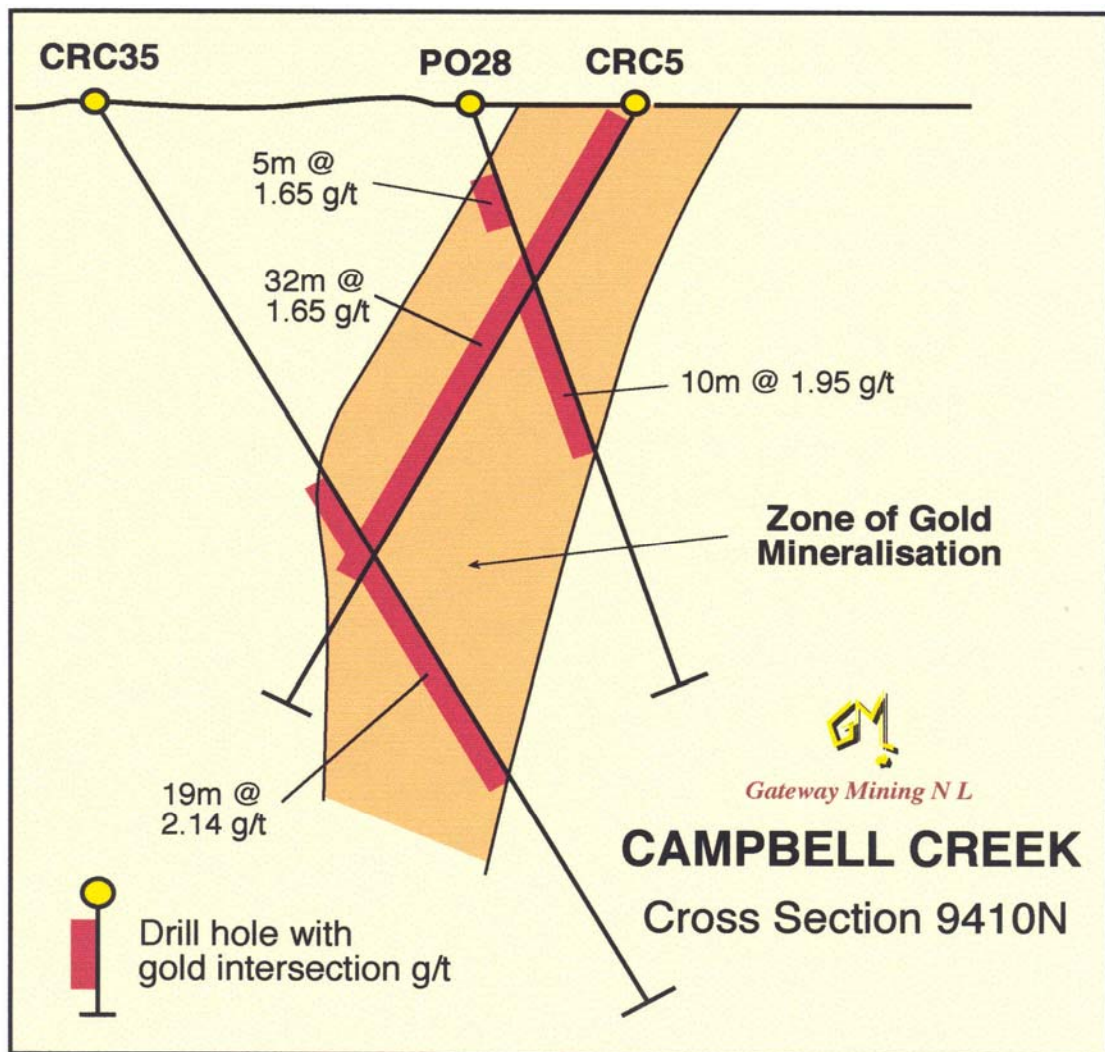


Figure 11 - Campbell Creek: Drill Cross-Sections

A nine hole reverse circulation drilling program totalling 488 metres was completed at the Ivory Vein. A previous Gateway program completed in late 1995 returned a 32 metre intersection @ 1.65 g/t gold. Included in that intersection was 16 metres @ 2.15 g/t gold. The recent drilling program confirmed mineralisation reported in the earlier drilling continues to depth. Drill hole CRC35 intersected the mineralised structure with a strike of 19 metres averaging 2.14 g/t including a zone from 27-40 metres downhole returning 13 metres @ 2.93 g/t gold. Drilling

confirms gold mineralisation over an open-ended strike of 130 metres to a vertical depth in excess of 30 metres.

Significant results include:

Hole No	Northing	Easting	Depth (m)	Dip/Azimuth	From (m)	To (m)	Interval (m)	Gold (g/t)
CRC32	9830	9880	54	-60/097	28	30	2	1.16
CRC33	9418	10168	45	-60/045	13	19	6	1.38
CRC34	9432	10182	60	-60/045	35	39	4	2.21
CRC35	9392	10217	60	-60/045	27	40	13	2.93

Known mineralisation at Campbell Creek was located within ductile shear zones (mylonite). A silica replacement model is possibly applicable to the Campbell Creek tenement. Observations made in the course of mapping support this connection.

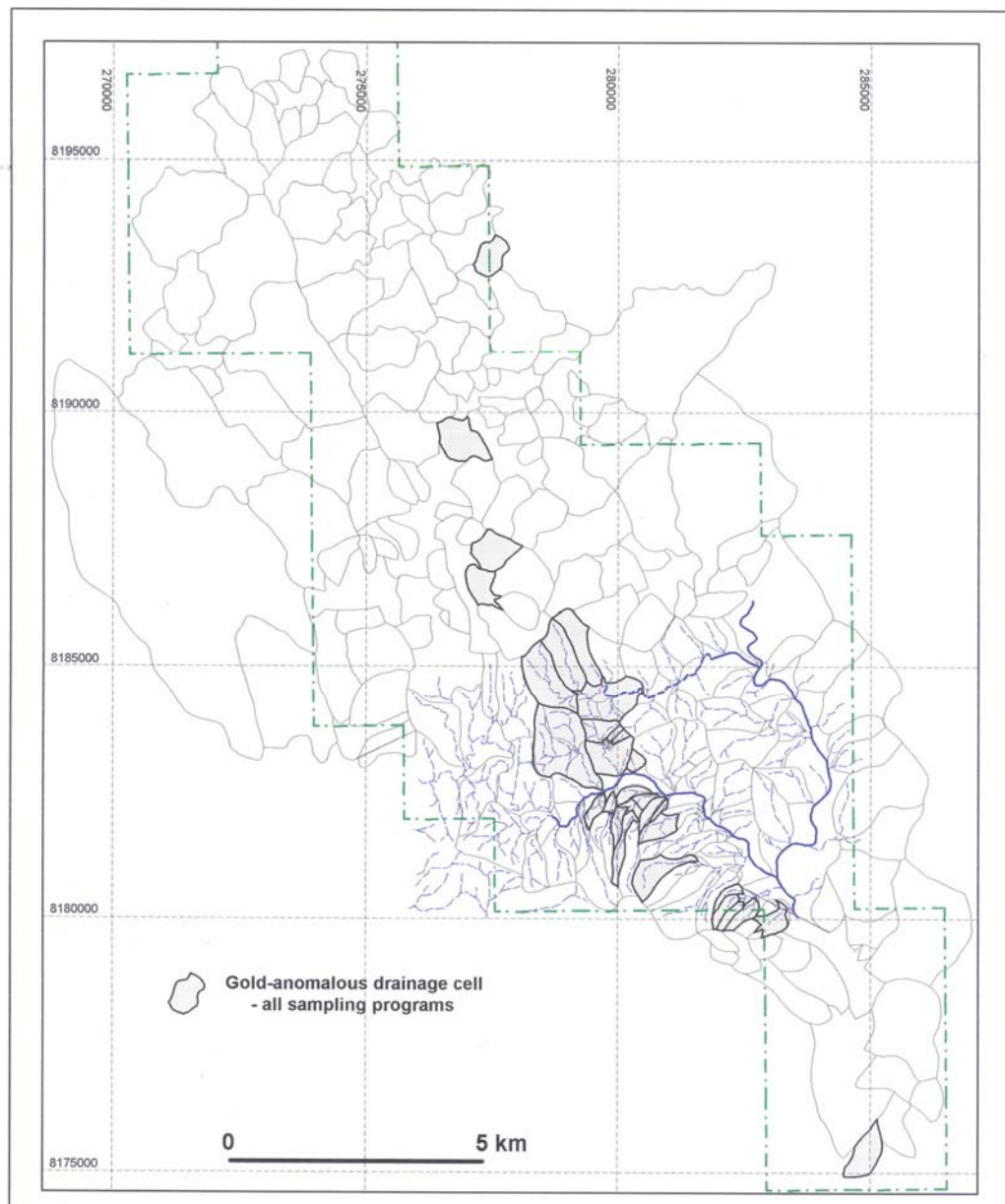


Figure 12 – Campbell Creek: Stream Sediment Soil Anomalies

Hurricane South

Work to date has included soil geochemistry and drilling by Freeport which identified a number of prospective areas, including Stibnite and Black Hills. Drilling located intervals of gold-arsenic antimony at economic grades.

The area is a prime exploration target due to the existence of major shear zones associated with the Kondaparinga Fault. Stibnite Hill is considered prospective, especially for mineralised mylonite (shear) zones.

In 1996-97 Gateway undertook a systematic exploration effort involving geological mapping, photo geological surveys and detailed stream sediment sampling programs centred around the Stibnite Hill prospect.

Photogeological work identified additional east-west structural targets, possibly splays off the dominant Kondaparinga Fault. The targets located parallel to the Stibnite Hill prospect, an east-west striking quartz vein breccia were explored with detailed stream sediment sampling programs during the year. Results of sampling defined a large gold bearing basin north east of the Stibnite Hill prospect. This drainage basin was covered in EPM 12240 and the previous tenement to the west EPM 9933 was relinquished. The Joint Venturers were encouraged by the amount of visible fine gold in pan concentrate samples. The identification of additional north-south striking target zones increases the prospect that the Hurricane South area contains mineralised resources in different structural settings.

4.5 Summary – Hodgkinson Basin Prospects

Reedy Project

Successful geochemical programs sampling stream sediment, soil and rock mediums together with geological mapping has identified four interesting gold bearing targets within five kilometres of the resource at Reedy 8A. These anomalous targets need to be explored by geochemical programs, mapping has identified quartz veining and float, coincident with some of the zones.

There is scope for finding additional resources to the known mineralisation at Reedy 8A. The close proximity of each anomaly poses the potential for a cluster mining operation around a central plant.

Drilling at Reedy 8A by Gateway has tested the resource to a vertical depth of only 40 metres. Deeper holes are needed to test the resource down dip in the southern zone where hole RCR56 recorded an intersection of 10 metres @ 6.95 g/t gold including 2 metres @ 23.70 g/t gold. More metallurgical work is needed to fully test the refractory nature of the sulphide ore as recorded in initial bottle roll tests. Results of tests conducted on oxide ore material were excellent.

Campbell Creek Project

An open-ended 1.5 kilometre long anomalous zone defined by stream sediment sampling has not been fully tested. Limited drilling in 1995 and 1996 confirmed mineralisation in part of this anomalous trend. Exploration is required to test zones of encouraging geochemical response. A large percentage of the project is under explored, potential exists for continuations of mineralisation along strike and down dip of encouraging drilling results. As at Reedy, drillholes have only tested zones to a shallow depth of 30 vertical metres.

Geochemical anomalous basins are coincident with the main NW trending Tullah Fault Zone. Exploration in the form of detailed geological mapping and geochemical sampling needs to focus on this prospective zone. Potential exists for larger tonnage gold resources to exist within shale hosted ductile shear zones. Campbell Creek is the most prospective of the Hodgkinson Projects.

Hurricane South

Stream sediment sampling has sterilised much of the area adjacent to the Stibnite Hill prospect. A large anomalous zone has been identified close to the projects eastern boundary. Geological mapping has identified several structural targets within the anomalous zone, which remains untested.

4.6 Exploration Budget - Hodgkinson Basin Prospects

A-Cap has allocated \$16,000 for continued exploration for the 12 months to 30 June 2004 on the tenements being the amount advised by Gateway Mining NL as the required expenditure pursuant to the terms of issue of the tenements. During the financial year the Company will review the tenements in conjunction with its joint venture partner to determine appropriate further work programs and operations.

At this stage A-Cap plans to maintain its 40% equity in each of the areas.

5. OTHER ACQUISITIONS AND INTERESTS

In conjunction with investors and proposed joint venturers in Gansu Province in the People's Republic of China ("China"), A-Cap has incorporated Gansu Sino-Australian Mineral Resources Development Company Limited ("Gansu"), with a view to the possible acquisition by it of interests in China. Under the terms on which Gansu was incorporated A-Cap will fund US\$37,500 as 50% of the required funding for Gansu's capitalisation under local laws and those local investors and joint venturers will fund the remaining US\$37,500 from their own resources. None of those persons hold shares in any of Cardia or A-Cap nor, save as set out below, do any of A-Cap's directors, officers or any of their associates hold any shares or interests in Gansu or have any other arrangements with any of such persons.

5.1 The background against which Gansu has been incorporated is as follows.

- (a) For a company to be established to carry on business in Gansu Province requires minimum capital of US\$75,000, which, at this stage, A-Cap does not have. Cardia has agreed to advance A\$50,000 to A-Cap to be applied against its liability for half of that amount with that A\$50,000 to be repaid from the proceeds of the Issue.
- (b) Mr Desmond Kong-man Wan, a director of A-Cap, has business interests in China totally unrelated to A-Cap's activities. A-Cap was formed for the sole purpose of acquiring Cardia's mineral exploration projects and interests in Botswana and Australia.

5.2 A-Cap is interested to acquire mining tenements in China which it may be able to do through Mr Wan's associations. It should be noted that A-Cap's access to tenements will depend substantially on those local contacts.

5.3 The Boards of Cardia and A-Cap have agreed with Mr Wan that:

- (a) Gansu will proceed with applications to acquire various interests in mining tenements in China on the basis that:
 - (i) if any application is granted Mr Wan will 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.
- (b) The agreement with Mr Wan and his entitlement to receive the shares referred to above will be 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.

At this stage, no applications for tenements have been finalised and, accordingly, no applications have been granted. Applicants should note that there is no certainty that any application, which may be made by Gansu, will be granted and that it is unlikely that any such application, when and if made, would be granted during the period during which the Issue remains open.

THE OFFER

6. OFFER

6.1 Current Capital Structure

The Company's capital presently comprises 100 ordinary shares held by Cardia.

Cardia's issued capital will be 144,725,588 shares on completion of the placement of 1,250,000 shares approved at Cardia's annual general meeting on 12 December 2003. On the basis that the Issue is being made on a one for two basis, and on the basis that the shares in Cardia will rank for entitlement to the Issue as approved at that meeting the Issue would be for a total of approximately 72,362,794 Shares.

The Issue is underwritten as set out in Section 6.10 and the Underwriters may elect to take payment of their underwriting fees in shares as set out in that Section. If they do then they will be entitled to receive 3,618,139 shares, which, if the Issue were fully subscribed, would increase the capital of A-Cap post the Issue to an amount of 75,981,033 shares.

6.2 The Issue

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 advisers.

Applicants should consider any investment in the Company and its securities as speculative given the volatile nature of exploration and the risk factors detailed in Section 13.

6.3 Non-Renounceable Entitlements Issue to Members of Cardia

The Issue is a non-renounceable entitlements issue to the members of Cardia on the basis that, subject to the provisions relating to overseas residents set out in Section 6.7 below, each member of Cardia shall be entitled to subscribe for one (1) ordinary share in the Company for every two (2) shares held on the Record Date. Fractional entitlements to shares will be rounded down in determining entitlements.

6.4 Entitlement and Acceptance Forms

Accompanying this Prospectus is a personalised Entitlement and Acceptance form for use by you that sets out your entitlement to Shares as at the Record Date.

6.5 Record Date and Closing of the Issue

The Issue will be made to members of Cardia on the register of members of Cardia as at the Record Date being 10.00pm (EST) on 19 January 2004. The Issue will close on the Closing Date that is 5.00pm (EST) on 18 February 2004.

6.6 No Rights Trading

The rights to the Shares are non-renounceable. Accordingly, there will be no trading of rights on the stock market of ASX and members of Cardia may not dispose of their rights to any other party.

6.7 Overseas

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. The Directors of each of Cardia and the Company consider that it is unreasonable to make an offer to such persons having regard to:

- (a) the number of holders resident outside Australia and New Zealand;
- (b) the number and value of Shares the holders of ordinary shares in Cardia resident outside Australia and New Zealand would be offered; and

- (c) the cost of complying with the legal requirements and the requirements of regulatory authorities in places other than Australia and New Zealand,

as referred to in Listing Rule 7.7.1(a) and accordingly, in like manner as required under Listing Rule 7.7, the Directors of the Company will send each Member of Cardia to whom it will not make the offer, details of the Issue and advice that the Company will not offer securities to that holder.

Nominees applying for Shares 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.

Lodgment 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.

6.8 Listing

Application will be made to NSX within 7 days after the date of this Prospectus for the Company to be admitted to the Official List of NSX and for quotation of the shares on the stock market maintained by NSX.

Allotment of Shares to Applicants will occur as soon as practicable after Applications and Application Moneys have been received for all of the Shares. It is the responsibility of Applicants to determine their allocation of shares prior to trading in those shares. Any Applicants who sell shares before they receive their shareholding statements will do so at their own risk.

It is expected that trading on the stock market conducted by NSX will commence as soon as practicable after allotment of the Shares and despatch of shareholding statements. If the Company has not been admitted to the Official List of NSX within 3 months of the date of the issue of this Prospectus then all Application Moneys will be refunded in full. Interest will not be paid on Application Money refunded.

6.9 CHESS

The Company will apply to be admitted to participate in the Clearing House Electronic Subregister System ("CHESS"), in accordance with NSX Listing Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an 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 elect to hold shares on the issuer-sponsored sub-register will be provided with a transaction confirmation statement (similar to a bank account statement), which sets out the number of Shares allotted to the shareholder under this Prospectus. For shareholders who elect to hold the shares on the CHESS sub-register, the Company will also issue a transaction confirmation statement and, 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.

Any such statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial statements to all shareholders, a holding statement will also be provided to a shareholder at the end of any subsequent month during which the balance of the shareholder's holding of shares changes.

6.10 Underwriting, Commission and Brokerage

The Issue is underwritten by Tony Technology (Holding) Company Limited and Trayburn Pty Ltd. Tony Technology (Holding) Company Limited is controlled by Mr Yue Sheng Fu, a director of Cardia, and interests associated with him. Trayburn Pty Ltd is controlled by Mr P Volpe, a director of each of Cardia and A-Cap.

The Underwriting agreement is conditional upon:

- (a) A-Cap issuing this Prospectus for the purpose of raising funds to acquire the mining tenements and interests referred to herein and held by Cardia and thereafter funding exploration thereon as approved in general terms at the Annual General Meeting of Cardia held on 29 November 2002.
- (b) NSX admitting A-Cap to its Official List.

Under the terms of the Underwriting Agreement the Underwriters have jointly underwritten the Issue and have reserved the right to appoint sub-underwriters to the Issue. Under the terms of the Underwriting Agreement the underwriters are entitled to be paid 5% of the amount of the Issue which they may either elect to have paid to them either wholly or partly in cash or wholly or partly by way of issue of additional shares at the Issue Price (\$0.01 per Share) or any combination thereof. In the event that the Underwriters elect to be paid wholly in cash the total amount payable to them would be \$36,181.39. If they elect to take payment of their underwriting fees in shares they will be entitled to receive 3,618,139 shares which, if the Issue is fully subscribed, would increase the capital post-Issue to an amount of 75,981,033 shares.

6.11 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.

6.12 Speculative Nature of Offer and Projects

This Prospectus and the projects in which the Company's subsidiaries have invested should be considered as speculative given the exploration activities and the risks discussed in Section 13 of this Prospectus.

6.13 Risk Factors

Both the Company and any investment in it are subject to risks. Section 13 details many of those risk factors.

6.14 Suitability of Investment

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. They 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. Proposing Investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser before deciding whether to invest.

6.15 Rights and Liabilities Attaching to Shares

The rights and liabilities attaching to Shares are detailed in Section 15.

6.16 Instructions to Applicants

Application for Shares can only be made by completing the Entitlement and Application Form in accordance with the instructions thereon. Entitlement and Application Forms must be lodged with the Company as shown on the Entitlement and Application Form.

6.17 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.

6.18 Costs and Expenses of the Issue

The total expenses of the Issue payable by the Company, including underwriting fees, all legal costs and expenses, accounting fees, printing costs, share registry and other costs and expenses are estimated to be approximately A\$86,797 as set out in Section 16.9.

6.19 Action by Applicants

Accompanying this Prospectus is a personalised entitlement and application form. The form provides detailed instructions as to how applications for Shares should be made. Applications for Shares will only be accepted on these forms.

Duly completed Entitlement and Application Forms should be lodged with the Company's Share Registry at the address set out in Section 6.20 below on or before the Closing Date.

6.20 Enquiries

If you have any enquiries as to the terms of the Issue please contact:

Computershare Investor Services Pty Ltd Level 27, Central Plaza One 345 Queen Street, BRISBANE QLD 4000 Enquiries: (within Australia): 1300 552 270 (outside Australia): 61 1300 552 270 Telephone: 61 +7 3237 2100 Facsimile: 61 +7 3229 9860	Mr John Wilson Company Secretary A-Cap Resources Limited Suite 112, 89 High Street KEW VIC 3001 Telephone: (03) 9853 3566 Facsimile: (03) 9853 3611
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7. APPLICATION OF FUNDS

The funds raised by this Prospectus will be applied first in making payment of the costs of the Issue and thereafter as set out below including partial reimbursement to Cardia for recent exploration activity carried out on the Magogaphate tenements in Botswana since July 2002.

After payment of the costs of the Issue, and reimbursement of such funds to Cardia, the Company estimates that it will have sufficient working capital for approximately 2 years. During that time it is possible that the results from:

- the Jim's Luck Project being developed by Gallery Gold **may** delineate a mineable resource providing additional feedstock for the proposed 1.0 million tonne per annum gold treatment plant in respect of which Gallery is finalising a feasibility study in respect of its Mupane gold reserve of 630,000 ounces;
- a pre-feasibility study on the Maibele North nickel prospect resource of approximately 380 000 tonnes at 2.0% **may** determine that it is viable to mine as a source of direct shipping ore to the local smelter located approximately 50 km by road from the resource by road;

may enable the Company to raise additional funds in due course.

APPLICATION OF FUNDS STATEMENT

AMOUNT A\$

Cash Costs of the Issue*	86,797
Exploration Budget: 2003 – 2004 (Estimate) Jim's Luck	50,000
Exploration Budget: 2003 – 2004 (Estimate) Magogaphate Tenements	150,000
Exploration Budget: 2003 – 2004 (Estimate) Hodgkinson Basin Tenements	16,000
Repayment of advance from Cardia re Gansu (See Section 5)	50,000
Additional working capital	270,830
Partial reimbursement of exploration expenditure to Cardia**	100,000
PROCEEDS OF THE ISSUE	\$723,627

- * If the amount of underwriting fees referred to in Section 6.10 is paid in shares the cash costs of the Issue would decrease by \$36,181. This would increase working capital to \$307,011 and the capital of A-Cap by a further 3,618,139 shares to 75,981,033 shares (see Sections 6.1 and 6.10).
- ** Portion of the moneys payable to Cardia as reimbursement for work carried out on the Magogaphate tenements since 1 July 2002 (a further amount of \$67,950 will only be reimbursed from future capital raisings or from future revenues).

DIRECTORS AND MANAGEMENT

8. DIRECTORS

At present the Company is managed by its Directors.

Patrick Volpe (Chairman)

Mr Volpe is the current Chairman of both Cardia Technologies Ltd and of A-Cap. 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.

Mr Volpe is a joint underwriter of the agreement (see Sections 6.10, 14.7 and 16.8).

Peter Pena

Mr Pena is a corporate lawyer with a Masters Degree from Sydney University. He specialises in commercial 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. He has been a director of Cardia Technologies Ltd since 1998.

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.

As set out in Section 5 the Company has entered into an agreement with Mr Wan in relation to the prospective acquisition of interests in tenements in the People's Republic of China which may be applied for by A-Cap's wholly-owned subsidiary, Gansu.

Applicants are also referred to Sections 16.4 and 16.5 dealing with directors' interests generally.

EXPERTS' REPORTS AND FINANCIAL INFORMATION

9. INDEPENDENT GEOLOGISTS REPORT - BOTSWANA PROJECTS

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

10. SOLICITOR'S REPORT – AUSTRALIAN TENEMENTS

Corrs Chambers Westgarth has prepared the Independent Solicitor's report on the Hodgkinson Basin tenements as attached hereto.

11. INDEPENDENT ACCOUNTANT'S REPORT

Mr Ian Riley is the Company's auditor and 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.

12. SUMMARY FINANCIAL STATEMENTS

Set out below is a summary pro forma statement of financial position based on the audited financial statements of the Company and its controlled entities as at 30 June 2003. The pro forma financial statement is prepared on the assumptions that:

- the Issue is fully subscribed;
- the costs of the Issue (including underwriting commission) have been paid in cash;
- the net proceeds of the Issue have been received as cash;
- \$100,000 has been reimbursed to Cardia as set out in the Application of Funds Statement in Section 7 with the remaining amount of \$67,950 being repayable from proceeds of further capital raisings as and when they may occur;
- the aggregate cost of the Botswana tenements is \$765,311 comprising the amount of \$597,361 representing the debt convertible into shares in A-Cap at \$0.20 per share on the basis outlined in the Assignment Agreement described in Section 14.5 under the heading "Material Agreements" together with a further amount of \$167,950 of which \$100,000 will be paid to Cardia from the proceeds of the Issue and the balance of which will be payable from proceeds of further capital raisings or from future revenues (see Section 7);
- the liability of the Company to issue shares in satisfaction of the unsecured convertible debt described in Section 14.5 is a deferred liability on the basis that there is no present expectation that A-Cap will list on ASX within the foreseeable future and on the basis that the liability is not liable to be satisfied in cash other than at A-Cap's election.

The pro forma financial statement does not reflect the application of funds for anticipated exploration expenditure and corporate overheads outlined in the Application of Funds Statement in Section 7 since those expenditures will be made over time.

Applicants should read the Investigating Accountant's Report carefully.

AUDITED FINANCIAL STATEMENTS AS AT 30 JUNE 2003 AND PRO FORMA FINANCIAL STATEMENTS BASED ON SUCH AUDITED FINANCIAL STATEMENTS AND THE ASSUMPTIONS SET OUT ABOVE

	Notes	Proforma A\$	Audited 30 June 2003 A\$
CURRENT ASSETS			
Cash assets	1	486,930	100
TOTAL CURRENT ASSETS		486,930	100
NON-CURRENT ASSETS			
Deferred exploration, evaluation and development costs	2	765,311	-
Investment in Gansu Sino-Australian Mineral Resources Development Company Limited		50,000	
TOTAL NON-CURRENT ASSETS		815,311	-
TOTAL ASSETS		1,302,241	100
CURRENT LIABILITIES			
Payables	3	-	-
NON CURRENT LIABILITIES			
Payables	4	67,950	-
Convertible debt	5	597,361	-
TOTAL NON CURRENT LIABILITIES		665,311	-
TOTAL LIABILITIES		665,311	-
NET ASSETS		636,930	100
EQUITY			
Contributed equity		636,930	100
Retained profits (losses)		-	-
TOTAL EQUITY		636,930	100

Notes:

1. Gross funds to be raised by the Issue, \$723,627, plus initial subscription of \$100 (see Section 6.1) and after cost of the Issue \$86,797 and payments of \$100,000 and \$50,000 to Cardia, see note 2.
2. The total of funds expended by Cardia in Botswana: for the period to 30 June 2002 \$597,361 representing convertible debt (see Section 14.5) together with funds expended since 1 July 2002 of \$167,950 (see Sections 7 and 14) of which \$100,000 will be paid from the proceeds of the Issue with the balance of \$67,950 remaining outstanding and payable in due course from proceeds of further capital raisings with a further \$50,000 having been applied to repay a loan from Cardia used to fund the acquisition of an interest in Gansu Sino-Australian Mineral Resources Development Company Limited
3. There are no current payables as the costs of the Issue and the amount payable to Cardia on completion of the Issue have been deducted from the total of funds raised (refer Note 1 above).
4. Balance of Cardia's expenditure since 1 July 2002 remaining outstanding as a deferred non-current liability (see Note 2 above).
5. The face value of the convertible debt owed to Cardia and convertible into shares in A-Cap as set out in Section 14.

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

The financial report contained in the Independent Accountant's Report is a special-purpose financial report, prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards.

Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

BUSINESS AND INVESTMENT RISKS

13. 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:

- 13.1 **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
- 13.2 **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.
- 13.3 **risks related to investment in resources.** Exploration and/or development of resources generally are subject to **high** levels of risk.
- 13.4 **sovereign risk.** The Company's exploration activities will be primarily carried out in the Botswana. 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.
- 13.5 **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.
- 13.6 **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.
- 13.7 **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.
- 13.8 **risks relating to commodity prices.** Commodities are subject to high levels of volatility in price and demand.
- 13.9 **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 2004. Expenditure subsequent to that date will depend on results of work carried out and, in particular, work carried out in relation to the Botswana tenements. At the present time the Company is primarily focussed on the Jim's Luck project and the Maibele North Nickel project.

Additionally, the Company will continue to seek other corporate opportunities, which may provide it with the opportunity to raise additional capital. It is likely that any future assets that may be acquired will be acquired primarily for equity and it is possible that as and when additional assets are acquired, additional funds will be sought to be raised for ongoing working capital in relation to any such projects.

- 13.10 **risk as to profitability.** Any present estimate as to possible production levels may fail to be achieved, and even if achieved, may not result in the Company being profitable. 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.
- 13.11 **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.
- 13.12 **contract risks generally.** The Company's subsidiaries operate through a series of contractual relationships with operators, sub-contractors and will sell production through various marketing contracts. Additionally, various production facilities are to be contracted to be built. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed.
- 13.13 **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.
- 13.14 **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.
- 13.15 **production risks.** There can be no assurance given that the Company will achieve production from any of the projects referred to in this Prospectus. The capacity of the Company to achieve production will 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.
- 13.16 **drilling risks.** Risks in relation to future drilling include break-downs and the risk of a failure to develop reserves.
- 13.17 **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 that 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.
- 13.18 **climatic risks.** The risk of adverse weather conditions that may affect production and exploration.
- 13.19 **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.
- 13.20 **discovery risks.** Any discovery may not be commercially viable or recoverable.

13.21 **tenement risks.** To the extent that various of the Company's tenements in Botswana are subject to renewal subsequent to 30 June 2003, 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. Additionally, 5 new applications for tenements have been made. These may or may not be granted (either in whole or in part) and, if offered for grant, may contain unacceptable terms and conditions or, alternatively, expenditure obligations beyond the ability of the Company to fund.

13.22 **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.

GENERAL MATTERS

14. 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.

Cardia is a party to various agreements set out in this Section. By the agreements referred to and summarised herein Cardia has assigned its interest in the joint ventures and tenements to A-Cap.

14.1 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 40% working interest therein.

The agreement has been substantially completed with the parties holding the respective interests therein otherwise detailed in this Prospectus with Gateway Mining NL being the Operator and having control of day to day operations.

14.2 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 has 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 elected to maintain its interest and proceed with further expenditure on the tenement.

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 \$50,000 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. The assignment to A-Cap by Cardia of its interest referred to in Section 13.5 below is conditional upon A-Cap as assignee raising capital in compliance with the provisions of that clause.

A joint venture agreement entered into between the parties in December 2003 reflects that agreement. The Joint Venture is otherwise in standard terms.

14.3 Farmin to Magogaphate Base Metals Tenements

Under a farmin agreement entered into in 1996, Cardia had the right to earn up to a 95% interest in a series of base metals tenements in Botswana. The acquisition of interests in the tenements, which include the Maibele North tenement, was subject to a net smelter return of 0.5% for nickel production only.

Subsequent thereto the tenements have in many instances been renewed and the remaining tenements now comprise portion of the tenements reported on by Anpet Exploration Pty Ltd in its report included in this Prospectus (most of which are again up for renewal).

By agreement under the terms of the Deed of Assumption and Assignment to which MHB is a party as referred to in Section 14.5(e) below, it has been agreed that Cardia (and A-Cap as its assignee) will be entitled to all of the Magogaphate Tenements subject to a 5% net profits share in favour of MHB.

By the terms of the Deed of Assumption and Assignment as referred to in Section 14.5(e) below control of work programs, budgets, finance and expenditure will all remain 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.

Under an agreement referred to in Section 14.5 below, Cardia has agreed to assign its interest therein to A-Cap subject to MHB's consent thereto.

14.4 Farmin to Magogaphate Gold Tenements

This agreement is in identical terms to the farmin agreement in relation to the base metals tenements.

Subsequent thereto the tenements have in many instances been renewed and now comprise portion of the tenements reported on by Anpet Exploration Pty Ltd in its report included in this Prospectus (most of which are again up for renewal).

Under the Deed referred to in Section 14.5(e) below, Cardia has assigned its interest therein to A-Cap subject to MHB's consent thereto.

The same provisions in relation to management and control of operations etc apply hereto as they do to the tenements the subject of the Magogaphate Base Metal Farmin as set out in Section 14.3.

14.5 Assignment Agreements between Cardia as assignor and A-Cap as assignee

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 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 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.

Details of the specific deeds of assignment are summarised below.

(c) **Deed of Assumption and Assignment of Hodgkinson Basin tenements and interests**

By a deed of assignment entered into between A-Cap, Cardia and Gateway, Cardia has assigned the whole of its right, title and interest in and to these tenements and the joint venture to A-Cap. Gateway has by its execution of the assignment agreement consented to the transaction.

(d) **Deed of Assumption and Assignment of Jim's Luck tenement and interest**

Under the primary Assignment Agreement referred to above, A-Cap takes an assignment of the tenement and joint venture interests in relation to the Jim's Luck Prospect subject to the terms of the joint venture with GGB and this assignment is conditional on and subject to the approval of regulatory authorities in Botswana.

(e) **Deed of Assumption and Assignment of Magogaphate tenements and interests**

Under the primary Assignment Agreement referred to above, A-Cap takes an assignment of the Magogaphate tenements and joint venture interests in relation thereto subject to the terms of the joint venture with MHB and, in particular, subject to MHB's rights as referred to above.

Under the terms of this deed Cardia, A-Cap and MHB have agreed that Cardia has an absolute entitlement to the Magogaphate Tenements (which include those subject to the Magogaphate Base Metal Farmin, those subject to the Magogaphate Gold Farmin and various new tenements which have been applied for but not granted) subject only to a 5% net profits share in relation thereto held by MHB.

Under the deed, MHB acknowledged that on payment of an amount of BP37,974.33 (or the Australian dollar equivalent thereof) Cardia will have fulfilled all of its obligations in relation thereto and is released by MHB from and against claims arising out of any act, matter or thing done or omitted to be done by Cardia in relation thereto. These moneys have been paid.

Under the deed, A-Cap assumes Cardia's obligations and adopts the farmin agreements as modified by the provisions of the deed. Essentially, A-Cap becomes the owner and manager of all of the tenements covered by the deed and all new tenements which may be applied for and MHB becomes entitled to the 5% net profits share as its sole interest. MHB holds the tenements on behalf of A-Cap subject only to that right.

Each of the above assignments is subject to all requisite approvals under relevant legislation and in each instance Cardia has agreed that it will lodge the assignment agreements and/or transfers thereof in relation thereto for the purpose of obtaining all such requisite approvals.

14.6 **Agreement with Mr Desmond Hong-man Wan**

The terms of this agreement are summarised in Section 5 above.

As the sole shareholder of A-Cap, the board of Cardia has ratified the agreement with Mr Wan but it will be subject to the further approval of the members of A-Cap subsequent to admission of A-Cap to the Official List.

14.7 Terms of Underwriting Agreement

The underwriting agreements with the persons named in Section 6.10 are as set out therein.

14.8 Sponsoring Broker Agreement with Pritchard Partners

The Company has entered into an agreement with Pritchard Partners ("Sponsor") under which Sponsor has agreed to sponsor the Company's admission for listing on NSX. Under the agreement the Company as issuer appoints Sponsor as sponsoring broker and confers on the Sponsor all powers, authorities and discretions on behalf of the Company which are necessary for or reasonably incidental to the Sponsor's obligations under the agreement and under the Listing Rules and the Company agrees to ratify and confirm whatever the Sponsor lawfully does in the exercise of such powers, authorities and discretions. Under the agreement the Sponsor is to provide the Company with fair and impartial advice and guidance as to the application of the Listing Rules, ensure that the necessary documentation supporting an application for listing by the Company are lodged with NSX and submit a sponsorship declaration to NSX before trading in the Company's securities commences on NSX.

Under the Listing Rules the Sponsor must lodge a declaration to the effect that, inter alia:

- (a) to the best of the Sponsor's knowledge and belief at the time trading commences on NSX at least 25% of the issued securities will be in the hands of the public in accordance with the Listing Rules;
- (b) to the best of the Sponsor's knowledge and belief, having made due and careful enquiry of the issuer and its advisers, the issuer has satisfied all relevant conditions for listing and other relevant requirements of the Listing Rules;
- (c) all requirements of the Listing Rules have been complied with and that there are no matters other than those disclosed in the Prospectus or otherwise in writing to NSX which should be taken into account by NSX in considering the suitability for listing of the securities for which application is made;
- (d) the directors of the Company have had explained to them the nature of their responsibilities and obligations as directors of a listed corporation under the Rules and, in particular, that they understand what is required of them to enable holders of the Company's listed securities and the public to appraise the position of the Company and avoid the creation of a false market in its securities once they are listed;
- (e) the Sponsor has obtained written confirmation from the issuer that the working capital available to the issuer and its related entities is sufficient for its present requirements.

The Company agrees to apply for listing through the Sponsor and to use all reasonable endeavours to obtain approval and to do everything reasonably required of it by the Sponsor in order to obtain such listing and to allow the Sponsor to fulfil its obligations to the Company as the issuer.

The agreement incorporates a representation and warranty by the Company as issuer to the Sponsor with such representations and warranties continuing through the sponsorship period as defined in the agreement that all information or statements of opinion or intention provided by the Company as issuer are true, accurate and complete in all material respects, will not be or are not misleading and will not or do not contain any material omissions. The agreement imposes on the Company as issuer an obligation to notify the Sponsor immediately it becomes aware that any information or statements of opinion or intention provided by it are misleading or are not true or accurate.

The representation and warranty by the Company in the agreement parallels the obligation of the Company pursuant to the provisions of the Act.

Under the agreement the Sponsor will be paid a fee of A\$7,500.

14.9 Nominated Adviser's Agreement with Salmon Giles Pty Ltd

Listing Rules require a company seeking admission to NSX to appoint a nominated adviser to assist the company seeking listing with the admission procedures and compliance with the ongoing obligations of that company under those Listing Rules.

The Company has appointed Salmon Giles Pty Ltd as its required nominated adviser. Under the agreement the obligations of the nominated adviser is to help the Company's Board with the application process by ensuring that the directors of the Company have been guided and advised on their responsibilities and obligations under the Listing Rules. In addition, Salmon Giles Pty Ltd is required also to explain the operation of the Listing Rules to the directors as appropriate.

Under the agreement Salmon Giles Pty Ltd will charge the Company an amount of A\$5,000 per annum for provision of these services.

15. RIGHTS AND LIABILITIES ATTACHING TO SHARES IN THE COMPANY

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.

15.1 Ranking

The Shares will be ordinary shares and will rank equally in all respects with the existing ordinary shares in the Company.

15.2 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.

15.3 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.

15.4 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.

15.5 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.

15.6 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.

15.7 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.

15.8 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.

15.9 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.

15.10 Transfer of Shares

Subject to the Constitution of the Company and the Act the shares will be freely transferable.

15.11 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.

15.12 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.

15.13 Directors

The Constitution of the Company contains provisions relating to the rotation of Directors (other than managing directors and alternate directors).

16. ADDITIONAL INFORMATION

16.1 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 three 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.

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.

Objectives

- 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.

Responsibilities

The Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory and NSX 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 Law, NSX 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 Law and the listing rules of Newcastle Stock Exchange Limited;
- 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 Board is informed at all times of all material corporate governance matters affecting the Company; and
- formulate and update, for submission to the Board for its approval, a statement of corporate governance principles 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.

16.2 Dividend Policy

The Company will not pay dividends in the foreseeable future.

16.3 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 herein 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 this document with Anpet Exploration Pty Ltd's 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. Neither Peter Temby and Anpet Exploration Pty Ltd have had any involvement in the preparation of this document other than the inclusion of Anpet Exploration Pty Ltd's report and neither of them have given any professional or other advice in respect of any other part of this document. Neither Peter Temby and 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 this document.

Ian Riley has given and not withdrawn his written consent to be named herein as:

- (a) Independent Accountant in the form and context in which he is so named;
- (b) Auditor, in the form and context in which he is so named.

In addition, he has given and not withdrawn his written consent to the despatch of this document with his 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.

Ian Riley 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. Ian Riley 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.

Corrs Chambers Westgarth, Solicitors, have given and not withdrawn their written consent to be named herein as Solicitor to the Company in the form and context in which they are so named. In addition, Corrs Chambers Westgarth has prepared the Independent Solicitors report on native title issues relating to the Hodgkinson Basin tenements as attached hereto and they have given and not withdrawn their written consent to the despatch of this document with that independent solicitors 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 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. 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 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.

Pritchard & Partners Pty Limited – Pritchard & Partners Pty Limited has given and not withdrawn its written consent to be named in the Prospectus as the Sponsoring Broker and/or Sponsor for the Company in relation to its application for listing on the Stock Exchange of Newcastle Limited in the form and context in which it is so named. In addition, it 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.

Pritchard & Partners Pty Limited has had no involvement in the preparation of the Prospectus and has not authorised or caused the issue of any part of the Prospectus, other than the inclusion of its name as the Sponsoring Broker and /or Sponsor and such references thereto, in the form and context in which they are included in the Prospectus, nor has Pritchard & Partners Pty Limited given any professional or other advice in respect of any other part of the Prospectus. Pritchard & Partners Pty Limited does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of the Prospectus.

Pritchard & Partners Pty Limited does not make, or purport to make, any statement in this Prospectus or any statement on which a statement in this Prospectus is based: and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than such references to its name.

Pritchard & Partners Pty Limited was not involved in the due diligence process undertaken in relation to this Prospectus.

Salmon Giles Pty Ltd – Salmon Giles Pty Ltd has given and not withdrawn its written consent to be named in the Prospectus as the Nominated Adviser to the Company required under the Listing Rules of the Stock Exchange of Newcastle Limited in the form and context in which it is so named. In addition, it 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.

Trayburn Pty Ltd and Tony Technology (Holding) Company Limited – Trayburn Pty Ltd and Tony Technology (Holding) Company Limited have each given and not withdrawn their written consent to be named in the Prospectus as Underwriters to the Issue in the form and context in which each of them is so named. In addition, they have each given and not withdrawn their written consent to the despatch of the Prospectus with all references to each of them in such capacity being included in the Prospectus in the form and context in which they are so included.

16.4 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 his engagement, **Ian Riley** has prepared the Independent Accountant's Report as contained herein and which form part of this document. In aggregate, he will be paid A\$1,500 plus GST by the Company for services performed up to the date hereof. **Mr Riley** 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, **Corrs Chambers Westgarth** have prepared their Independent Solicitors Report that forms part of this document. In aggregate, **Corrs Chambers Westgarth** have been paid professional fees of A\$4,481.40 in respect thereof and

are entitled to be paid additional fees at their normal commercial rates in relation to updating their report.

In accordance with the terms of the Sponsoring Broker's Agreement, **Pritchard Partners** will be paid a fee of A\$7,500 plus GST.

In accordance with the terms of the Nominated Adviser's Agreement, **Salmon Giles Pty Ltd** will be paid a fee of A\$5,000 per annum plus GST.

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:

- (a) the Directors and the Company Secretary hold shares as set out herein;
- (b) Trayburn Pty Ltd is an associated entity of Mr P Volpe (a director of both Cardia and the Company) and is an underwriter to the Issue as disclosed in Section 6.10. Additionally, Tony Technology (Holding) Company Limited (a company associated with Mr Yue Sheng Fu, a director of Cardia) is also an underwriter to the Issue as disclosed in Section 6.10. As stated in that Section the underwriters are each entitled to receive payment of underwriting commission in accordance with the terms of their underwriting agreements with the Company as disclosed therein and, accordingly, each of Mr Volpe and Mr Fu will directly or indirectly benefit from the underwriting commission paid to those entities.
- (c) the Directors and the Company's officers shall be entitled to take up their respective entitlements to Shares pursuant to this Prospectus.

16.5 Directors' and Officers' Share and Option Holdings

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 Cardia are set out below together with their entitlement to shares pursuant to this Issue:

Name	Position	Shares in Cardia	Options in Cardia	Entitlement
Patrick John Volpe	Director	10,680,130	10,680,130	5,340,065
Desmond Kong-man Wan	Director	23,000	Nil	11,500
Peter Pena	Director	305,000	380,000	152,500
John Howden Wilson	Secretary	146,666	96,666	73,333

16.6 Directors' Remuneration

The Directors are to be remunerated at the rate of \$7,500 per annum per director.

16.7 Company Secretary's Remuneration

The Company Secretary will be remunerated at the rate of \$10,000 per annum.

16.8 Underwriting Entities and Fees Payable

As disclosed in Section 6.10, the Issue is jointly underwritten by Tony Technology (Holding) Company Limited and Trayburn Pty Ltd as herein disclosed and the Company will pay an underwriting fee at the rate of 5% to the abovementioned entities. As set out in that Section, each of the Underwriters and their associates (including, in the case of Trayburn Pty Ltd, Mr Volpe, will indirectly benefit from any underwriting fees paid.

16.9 Costs Of The Issue

The estimated cash costs of the Issue payable by the Company are A\$86,797 comprising:

CASH COSTS OF ISSUE	Amount A\$
Legal fees, including Independent Solicitor	22,916
Underwriting fees	36,181
Independent Accountant's Report	1,500
Printing, Share Registry, Listing Fees & Sundry	26,200
TOTAL	\$86,797

In the event that the Underwriters elect to be paid in shares the amount of the cash costs of the issue would reduce by \$36,181. This would reduce the cash costs of the Issue to \$50,616 and have an effect on working capital as referred to in Section 7 above.

17. 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 lodgment of this Prospectus with ASIC. Each Director of the Company consents to the lodgment 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:

- 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
- 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 8th day of January 2004.

Signed on behalf of A-Cap Resources Limited



Patrick John Volpe
Director

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).

"the Company" means A-CAP Resources Limited (ACN 104 028 542).

"Directors" or **"Board"** means the Directors of the Company.

"g/t" means grams per tonne.

"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.

"Official List" means the Official List of NSX.

"NSX" means Stock Exchange of Newcastle Limited (ABN 11 000 902 063).

"Prospectus" means this prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time.

"Shares" means ordinary shares to be issued and allotted pursuant to this Prospectus.

INDEPENDENT GEOLOGIST'S REPORT – BOTSWANA PROJECTS

Anpet Exploration Pty Ltd

ABN 13 079 912 842

PO BOX 625

PENNANT HILLS NSW 1715

AUSTRALIA

PH / FAX: +61 2 9875 5446

Email: anpet@ol.com.au

11 December 2003

The Directors
A-Cap Resources Limited
Level 1
89 High Street
KEW VIC 3101

Dear Sirs,

Attached is my report in relation to the tenements in Magogaphate tenements in Botswana which are held in the name of Mineral Holdings Botswana (Pty) Ltd and in respect of which A-Cap Resources Limited ("A-Cap") proposes to acquire an interest. This report has been prepared for inclusion in a prospectus ("the Prospectus") to be issued by A-Cap in relation to a proposed issue of approximately 72,362,794 shares to members of Cardia Technologies Limited ("Cardia") on the basis that members of Cardia shall be entitled to apply for one share in A-Cap for every two (2) shares held in Cardia at an issue price of one (1) cent per share.

Cardia and its joint venture partner have carried out significant exploration activities in relation to the Magogaphate tenements referred to in the report other than the tenements for which application has recently been made.

Applicants for shares in the capital of A-Cap should note that the only tenement, the subject of my report, which has been renewed is Tenement PL 14/2003. All of the other tenements referred to are either subject to renewal or comprise new applications. There is no certainty that any or all of such tenements will be renewed or granted either in whole or in part.

The expenditure commitments in relation to the tenements which are subject to renewal or which are the subject of fresh application will not be known until such time as those tenements have been granted.

Each of Peter Temby and Anpet Exploration Pty Ltd consents to the inclusion of this report in the Prospectus and to references thereto in the Prospectus all in the form and context in which they appear. Other than the inclusion of this report in the Prospectus and all such references thereto, neither Peter Temby nor Anpet Exploration Pty Ltd has authorised the publication of any other part of the Prospectus and neither of them has given any professional advice in relation to any other part of the Prospectus.

Yours faithfully,

Peter Temby

**REPORT
BY
ANPET EXPLORATION PTY LTD
ON
THE MAGOGAPHATE PROJECT
PREPARED FOR INCLUSION IN A PROSPECTUS
TO BE ISSUED BY
A-CAP RESOURCES LIMITED**

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1 SUMMARY

A major review of previous work was carried out on the MHB tenements to determine what prospects were present that still had significant potential. Substantial potential was interpreted to be present at a number of prospects and activity in the last eight months has been directed at bringing prospects up to pre feasibility stage or determining if they had significant potential.

Regional geology is broadly understood to be a major sheared zone about 15 kilometres wide with acid to intermediate and mafic to ultramafic lithologies present. These have been interpreted as a sequence of volcanic derived sediments intruded by both granites and ultramafic intrusives prior to shearing. Age is considered to be middle Archean with major tectonothermal events in the late Archean and at around 2000 my in the lower Proterozoic. Regional Karoo age dyke swarms are present and Tertiary uplift, faulting and warping is present.

Earliest mining in the area may be up to 1000 years old with significant recent exploration dating from 1933 onwards. Major recent work has been carried out in the late 1980's and 1990's. This work resulted in identification of a number of significant prospects, most of which are significantly under explored.

Remaining targets consist of several large gold targets, two of which were drill evaluated and upgraded during the current phase of exploration, two nickel targets, one of which was drill tested, a copper-gold target and a series of zinc-lead-copper-gold targets. One of the lead zinc targets was drill tested. These targets are at a range of stages of development with one at prefeasibility, four variously re ranked following results from drilling programs, and a further six requiring a variable amount of work to bring them to drill ready status. In addition a number of additional anomalies have been interpreted that need further assessment prior to significant field programs.

Regional stream sediment sampling has been carried out in selected areas to rank gold anomalies and evaluate the areas adjacent to the boundary of PL54/98.

Preparation of new compilation maps on a topographic base with structural, geological marker horizons and selected geophysical data is recommended allow evaluation of geochemical anomalies and identified prospects in relation to stratigraphy, structure and EM conductors.

Additional exploration targets for Renco style structurally controlled gold deposits and known massive sulphide nickel occurrences have been identified outside the existing tenements and tenement applications have been lodged to secure these highly prospective areas.

2 INTRODUCTION

The Mineral Holdings (Botswana) (Pty) Ltd/Cardia Technologies Ltd JV carried out an extensive review of results obtained by this and previous JV's with Mineral Holdings in mid 2002 and as a result of reinterpretation of previous regional sampling results commenced detailed follow up of four targets as well as identifying drill ready targets not previously tested.

This report covers exploration carried out during 2002 and the first two months of 2003, including a recent drilling program.

Location of the existing tenements is shown on figure 1 below. All of these (other than PL14/2003 are subject to renewal which is pending decision of the Minister. No assurance can be given that these tenements will be renewed or that, if renewed, they will be renewed on terms acceptable to A-Cap Resources Ltd.

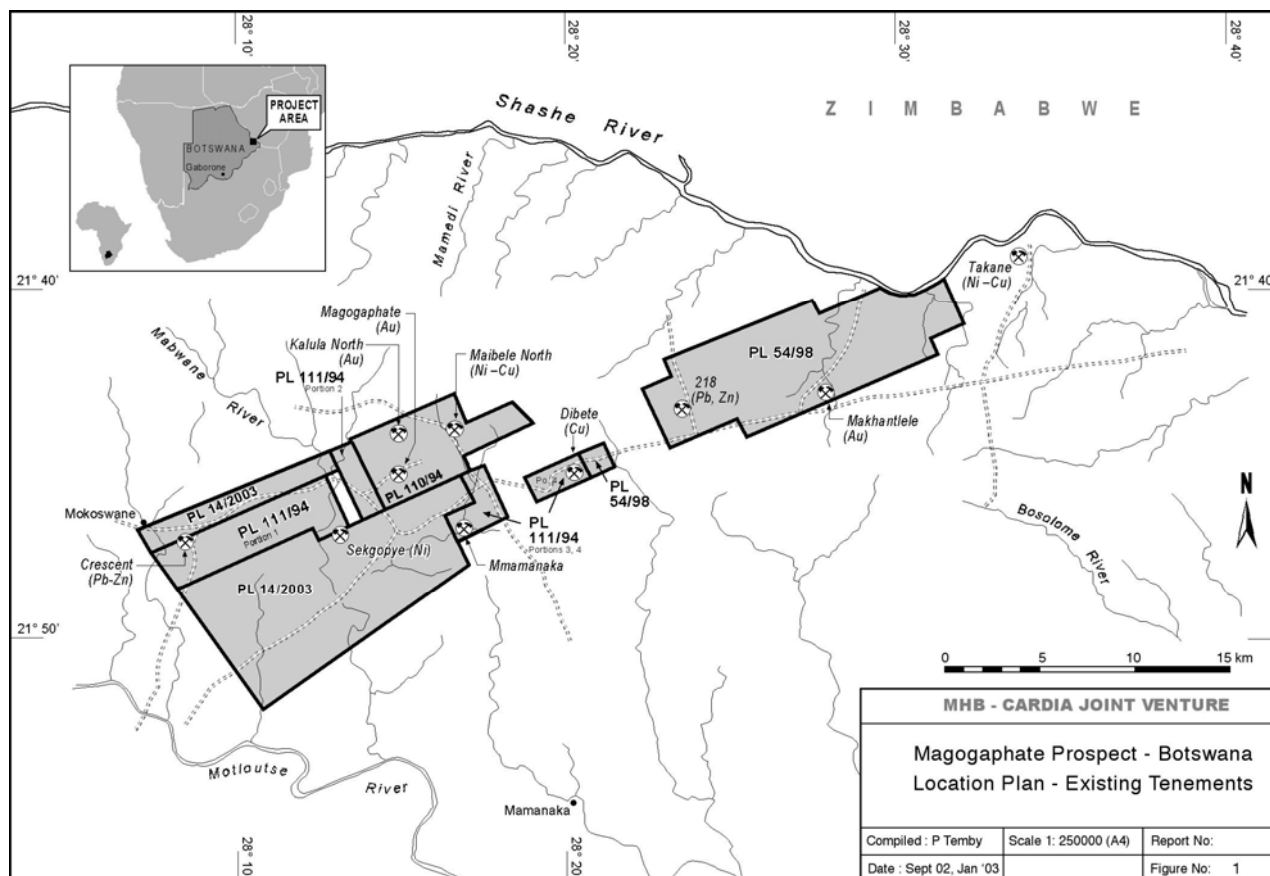


Figure 1 – Magogaphate Prospect: Location Plan of Existing Tenements

3 REGIONAL GEOLOGY

The Limpopo Mobile Belt is a polymetamorphic terrain situated between the Zimbabwean and the Kaapvaal Cratons. It's one of the oldest orogenic belts in the world, marked by a pronounced polyphase metamorphic evolution, which extended over a period of 900 Ma. The basement rocks within the Limpopo Belt are older Archean age gneisses of up to 3790 my old and are overlain by supra crustal sequences of a range of ages up to about 2650 my. The supra crustal sequences include metamorphosed equivalents of sandstones and mudstones, limestones and probable significant acid and basic volcanic sequences. Intrusion of the supracrustal sequences by layered basic complexes and ultramafic plugs has occurred particularly in the central zone of the Limpopo Belt

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

Major reactivation of the Limpopo Belt occurred around 2000 my, with retrograde metamorphism, cooling and uplift.

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

The belt can be divided into three zones, namely, a Central Zone, the Southern Marginal Zone which borders the Kaapvaal craton, and the Northern Marginal Zone which borders the Zimbabwe craton. Major mylonitic shear zones separate the central and marginal zones. These zones have up to 70 km of lateral displacement on them. The marginal zones are separated from the adjacent cratons by zones of thrust faults.

The MHB-Cardia JV tenements cover a portion of the Magogaphate Shear Zone (MSZ), a major dextral shear zone that lies on the boundary between the Central Zone and the Northern Marginal Zone of the Limpopo Mobile Belt in Botswana. The MSZ is up to 15 km wide in the Magogaphate area and contains a 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 as 'Banded Gneiss' on the published geological maps of the area due to it consisting predominantly of locally quite variable paragneiss.

Figure 2 below shows regional geology, the MSZ and the MHB tenements.

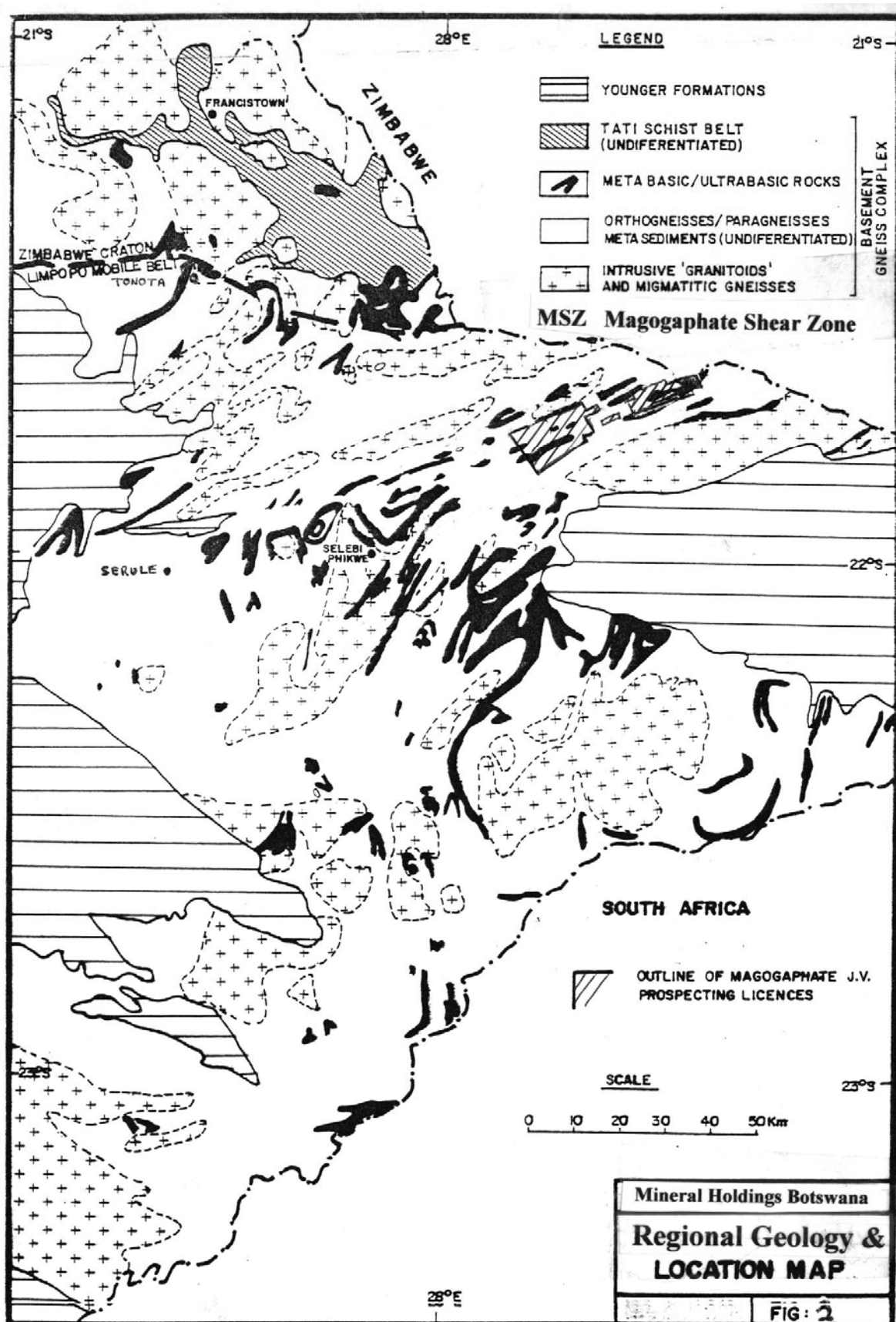


Figure 2 – Magothate Regional Geology & Location Map

3.1 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 zinc-lead mineralisation.

The nickel-copper mineralisation is characterized by the major deposits at Selibi-Pikwe where massive and disseminated nickel and copper sulphides in mafic-ultramafic sills have been mined since the 1970's. Current resources are 69 mt at 0.74% nickel and 0.83% copper.

Smaller deposits with higher Ni:Cu ratio are found associated with ultramafic plugs in the Magogaphate Shear Zone. An example is the Maibele North nickel deposit that currently has resources of about 0.4mt at 2% nickel. Significant additional potential is thought to be present to give a conceptual target size in the order of 1 million tonnes.

Gold mineralisation is widespread in the Limpopo-Shashe Belt, with the best known deposit being the Renco Mine in the Northern Marginal Zone in Zimbabwe. This deposit has gold mineralisation within mylonitic shears in granulite grade rocks associated with an alteration assemblage characterized by biotite, calcite and garnet. Gold grade is unrelated to sulphide content and pyrite content is low. Associated trace metals are copper and bismuth and 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 10.1 gAu/t. Current production is about 2200 kg/yr and reserves in 2001 were 300 000 tonnes at 9.49gAu/t. Additional new resources have also 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 deposit.

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

Zinc-lead geochemical anomalies, some of which are associated with EM conductors, are known from the Magogaphate Shear Zone. Work on one of these anomalies suggested 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. Origin is thought to be related to Karoo age mafic intrusive rocks. Total resources in a cluster of related deposits at Messina was in excess of 40 mt.

4 MINERALISATION IN THE JV TENEMENTS

Targets initially generated in the area were copper prospects that were mined by the Great Zimbabwe Empire up to 1000 years ago. Many small workings are scattered through the tenements and surrounding areas. Most of these targets, which include Kalula North, Dibete and Airstrip Copper, have been the focus of exploration in the last 50 years.

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

Target generation through geophysical, Landsat and geochemical programs was undertaken by Cardia in the late 1990's. Substantial amounts of regional geophysical and Landsat data was acquired but the geochemical programs were poorly designed and resulted principally in identification of known prospects. Interpretation of regional radiometrics flown by Cardia and Landsat imagery has been undertaken previously by Cardia to produce a geological interpretation map that gives considerably more detail to the previously known geology.

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 or geophysical data. Recent reinterpretation and compilation of the Geological Survey, Clutha and Cardia geological and geochemical data has resulted in a substantial upgrading of some of the previous exploration targets.

Figure 7 below shows the location of identified targets within the tenements.

4.1 Magogaphate Gold Prospect

In the 1933 the Victoria Prospecting Company located the Magogaphate Prospect in their detailed mapping and prospecting traverses. Their work indicated a strike length of panned gold anomalies of approximately 5 km, 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 30 to 170 metres wide and about 1250 metres long. The grade of the quartz veins was estimated at 3 gAu/t.

Mineral Holdings took out an exploration tenement to cover the Magogaphate gold occurrence and the Maibele North nickel occurrence in 1987 prior to the regional EM and magnetic survey carried out as part of an aid program for Botswana. Details of the Magogaphate Gold Prospect showing sample sites, anomalies and drill holes are set out in the Figure 2002-01 below at page 54.

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

A series of weak EM conductors that may be a continuation of the extensive 20B anomaly were initially tested with four soil sample lines and followed up with a further 27 soil lines as shown on Figure 2002-01 below. The individual conductors lie within a strongly faulted conductive zone subparallel to regional structural strike and virtually coincident with line Y. Figure 2002-01 below details that work and a series of anomalies.

Anomalous cyanide extractable gold was found to be present over the entire 2500 metres of strike length that have been sampled and resulted in the identification of the very extensive John Bentham (JB) group of partially coincident gold, copper, molybdenum and silver anomalies. The anomalies remain open to the east, southeast and west. Anomalous gold zones are broad, with individual anomalous zones of up to 250 metres width. The anomalous zones fall within a broader zone estimated at up to 500 metres width. The samples taken by Golding in 1988 along line E in Figure 2002-01 were analysed by different methods with a very high level of detection so the results on that line are not directly comparable, even if the sampling was similar, to the current programs results. There is also some doubt about the quality of the analytical work. Notwithstanding reservations about the work reported by Golding it is clear that his high order results support results found in the current program.

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

The location of the weak and discontinuous conductors is not shown on the plan but these were approximately coincident with Line Y. The amount of quartz gravel on surface and below thin fine sandy soils suggests that there is a very high proportion of quartz veins in the zone that contains the anomalous gold.

Gold results found on the northern side of the koppe, referred to as the Leslye Violet anomaly (the "LV Anomaly", Figure 2002-01), require some follow up with additional lines. These anomalous zones do not appear to be a lateral extension of the JB anomaly adjacent to horizontal Line Y but are probably a parallel mineralised shear system, indicating that the mineralized structural zone of interest at Magogaphate is broad and individual targets can be expected to be found along strike from the gold and other associated anomalies found on the Leslye Violet grid.

Drilling of nine reverse circulation drill holes was undertaken on the peak of the JB South anomaly over a 400 metre strike length. Holes ranged from 42 to 49 metres in depth and were all drilled at 60 degrees dip to grid north. This allowed the holes to test both above and below the limit of pervasive oxidation, was testing against the regional structural dip of what is thought to be S1 and was appropriate to test the vertical to south dipping quartz veining exposed in trenches in the area, some of which were excavated in the 1930's.

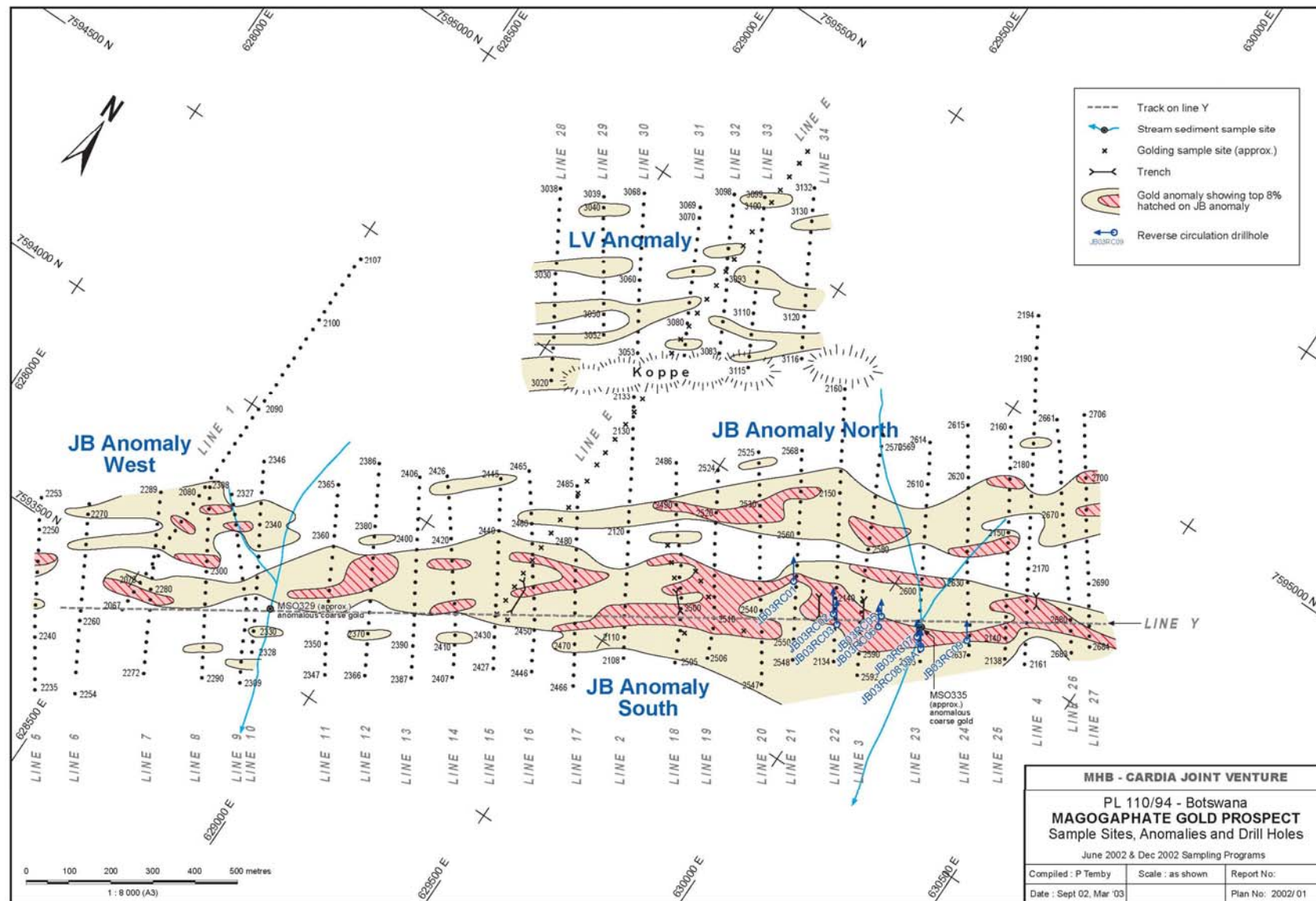


Figure 2002-01 - Magogaphate Gold Prospect - Sample Sites, Anomalies and Drill Holes

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 this 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 oxidizing alteration was present in the eastern half of the strike length tested where reddening of quartz due to hematite staining was present. Examination of the reddened quartz showed that there is a significant amount of iron minerals, probably sulphides, present that cannot be resolved under a hand lens but become visible as red spots when oxidized.

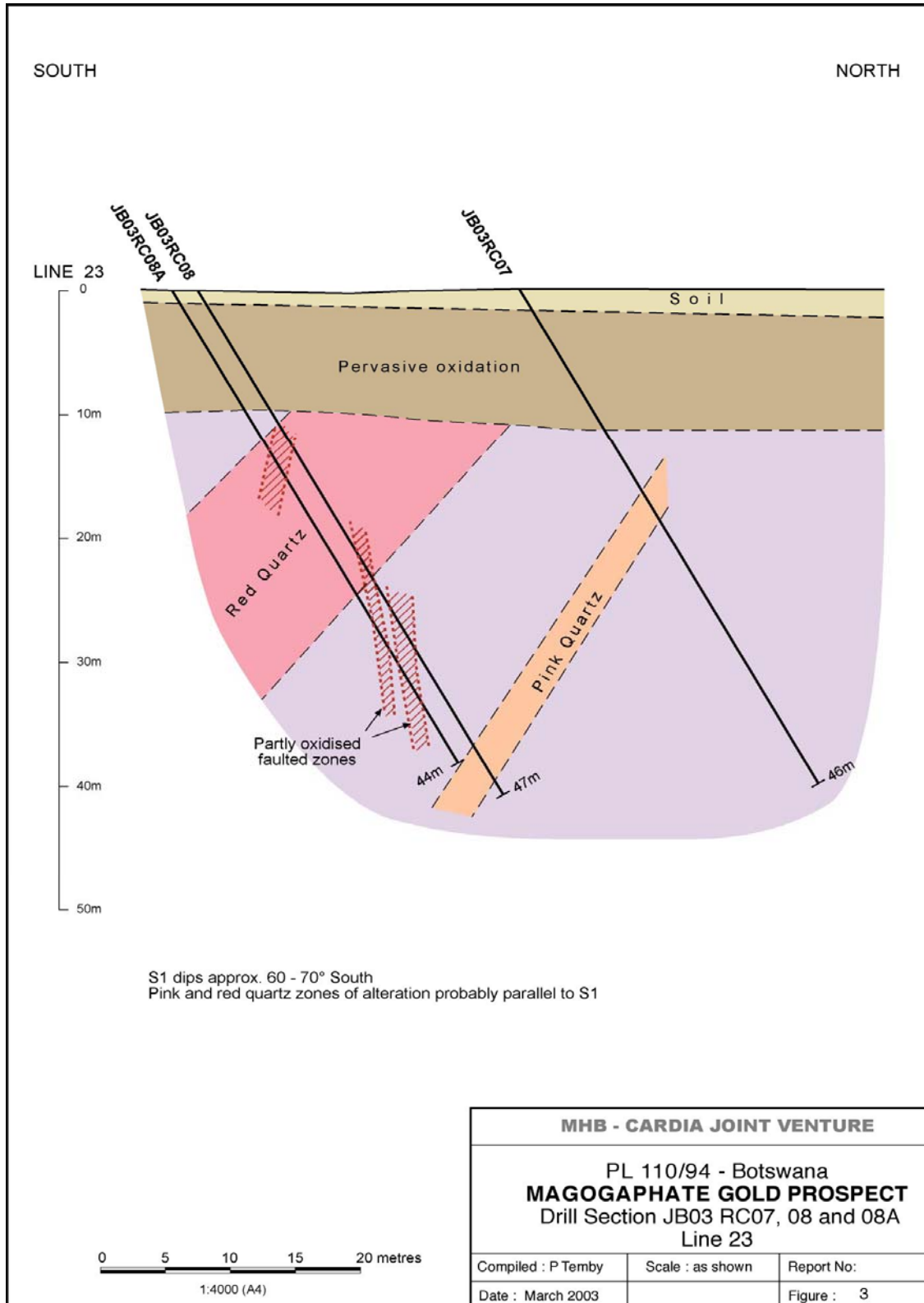


Figure 3 - Magogaphate Gold Prospect – Drill Section JB03 RC07, 08 and 08A Line 23

Hole to hole correlation of the reddened quartz zones show that they are subparallel to the dip of regional structure. Figure 3 above shows the drill section for holes JB03 RC08, 08A and 07 on the Magogaphate Gold Prospect (shown in Figure 2002-01) with red quartz zones. Hole JB03 RC08A is a redrill of hole 8 due to recovery problems in the original hole.

Evaluation of the geology of the JB south anomaly drilled shows that all holes tested within the sheared and silicified zone that is the known host to mineralisation from previous work. However it is thought from current logging of drill cuttings that the mineralisation may be predominantly located in the silicified granitic gneisses rather than in the quartz veins previously sampled and found to average 3 gAu/t.

Drill holes were sampled on a one metre interval basis and sample preparation was completed at a sample preparation laboratory at Francistown in Botswana. Sample pulps from the drilling program were analysed at Genalysis Laboratory Services in Perth. Results were disappointing with very few one metre intersections in excess of 1gAu/t.

4.2 Kalula North Prospect

The principal target in the past has been copper mineralisation that is exposed on some of the dumps from previous ancient mining dumps and from exploration trenches, and had been drilled previously for copper by Roan Selection Trust. The Victoria Prospecting Company may also have located this prospect in 1933, as they show a 2.5 km long anomaly in this vicinity.

The prospect was previously referred to as the KE Prospect by Clutha Minerals Ltd, as it lies adjacent to the intersection of lines K and E. Exploration carried out previously for MHB was soil sampling for copper and gold by both Golding and Temby.

Current work could not locate Line K, which was the datum for previous work however the current soil samples are known in relation to previous drilling and trenching locations. The previous sample lines were commenced on what was presumed to be Line K, however it was not straight and is now only partially recoverable. Location of the previous drill holes are known in relation to the current soil lines together with the location of stream sediment sample locations for Cardia's 1998 sampling program.

Four soil sample lines were initially sampled to test northern extensions of the MHB/Clutha soil anomalies and the highly anomalous Cardia stream sediment samples 347 and 348. Results of the stream sediment samples MS 347-8 gave multi element anomalies with anomalous As, Bi, Co, Mo, Sb and Au in both samples with additional anomalous Mn, W and Pb in MS 347. As no significant arsenic or bismuth results were located in the first stage soil samples it was inferred that there are other areas of mineralisation responsible for the stream sediment anomalies that may have significantly greater potential than the actual locations sampled with these soil samples.

This anomalous gold pathfinder suite drains off a Geotem conductor and two shear zones that were expected to host structurally controlled Au-Cu mineralisation. Ancient copper workings and more recent exploration trenches are present near the geophysical targets.

A follow up soil sampling program of a further nine soil lines were completed and resulted in defining one and possibly three parallel, gold anomalous zones. The location of the soil lines and ancient workings are shown on plan no 2002/02 below.

The plotted results show a close spatial association of anomalous copper and gold results but do not suggest that there is 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 northwestern part of line 2 are of significant interest as the anomalous zone is about 375 metres wide and would indicate a much larger mineralized system may be present here than the mineralisation associated with the ancient copper workings and the drill holes K1 and K2.

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

Examination of the geochemical results shows that the highest order results for gold on Kalula North are 2 orders of magnitude lower than results for Magogaphate. This may be a function of the two prospects, although only separated by about 2 km, being in different geomorphic settings with a thin veneer of Kalahari type sands overlying much of the Kalula North area. Magogaphate by contrast is in a far more eroded environment with extensive lag gravels at surface. The previous copper workings are also associated with very low order copper in soil anomalies.

The principal gold anomaly is well defined, continuous and is open to both east and west of the 1300 metres of strike length tested by soil sampling.

Drilling of six reverse circulation holes was completed to test the principal anomaly. All holes intersected alteration thought to be associated with mineralisation. Alteration consisted of silicification, development of 'white mica', probable development of secondary garnet and occasional development of coarse biotite. Petrology on drill cuttings noted brecciation of the 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. Sulphides were estimated at up to 5% in petrological examination of the cuttings.

Holes ranged from 44 to 55 metres in depth and were all drilled at 60 degrees dip to grid north (330 degrees magnetic). This allowed the holes to test both above and below the limit of pervasive oxidation and was testing against the regional structural dip of what is thought to be S1 identified from trenches adjacent to a number of the drill hole sites.

Drill holes were sampled on a one metre interval basis and sample preparation was completed at a sample preparation laboratory at Francistown in Botswana. Sample pulps from the drilling program were analysed at Genalysis Laboratory Services in Perth. Results were disappointing with very few one metre intersections in excess of 0.1gAu/t.

4.3 Mmamanaka Prospect

Falconbridge recorded a BIF in their mapping of the Mmamanaka Grid. This area is close to pannable gold found by the Victoria Prospecting Company, to a high order BLEG gold anomaly found by Clutha and to anomalous gold found by Cardia.

Rock chip sampling of fragments of BIF on the surface was undertaken. Results show no anomalous response, and it is now thought that a structural control of mineralisation is more likely with interpreted major structures cutting the area.

Additional drainage samples have been taken in the area however it is thought that regional soil sampling may be required to test this very flat area.

4.4 Makhantlele Prospect

This area was recognized from the Cardia stream sediment sampling work however it was only defined as a major anomalous area following current reinterpretation of the Cardia results. Figure 4 below shows the anomalies in relation to regional structures.

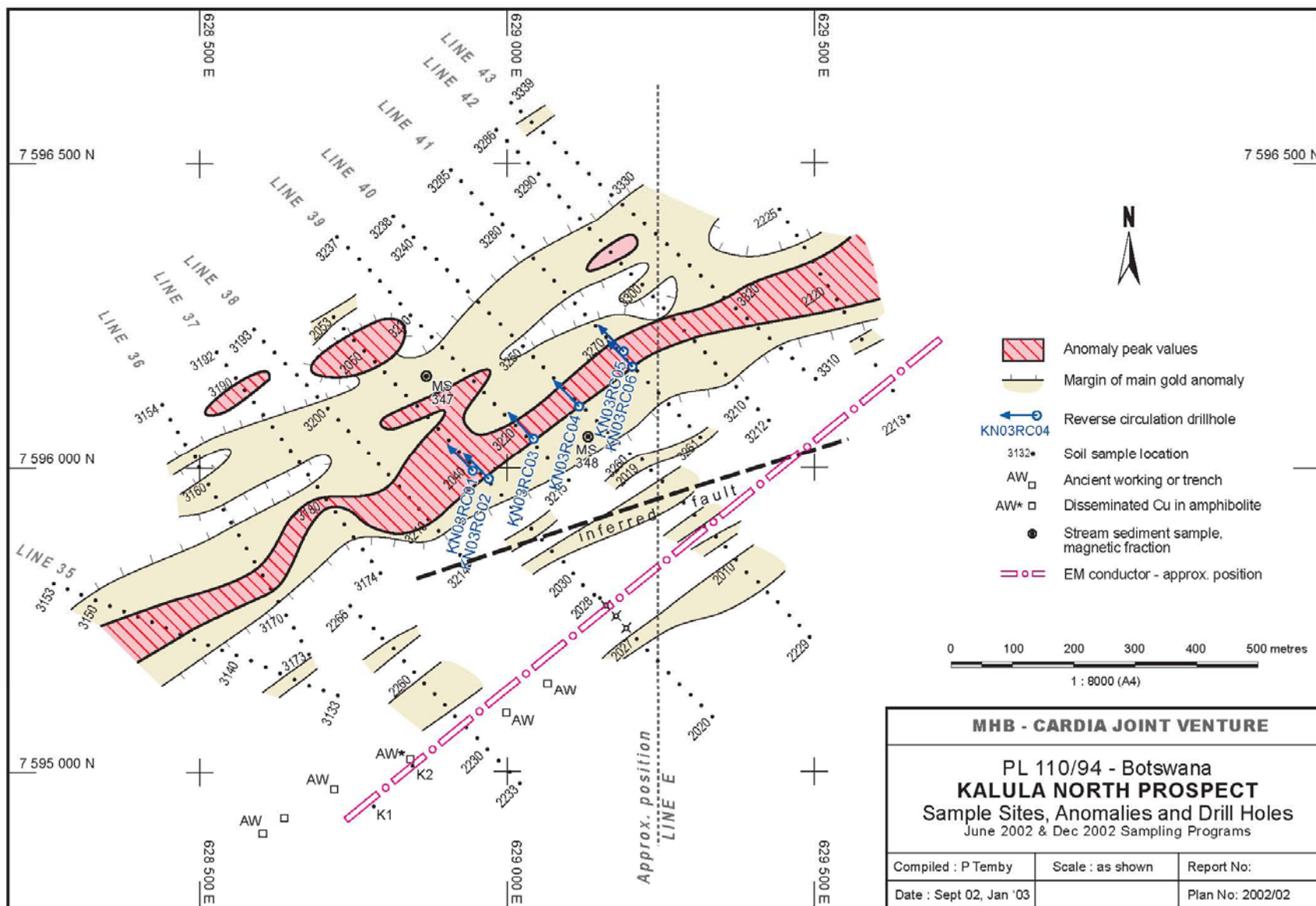


Figure 2002-02 - Kalula North Prospect - Sample Sites, Anomalies and Drill Holes

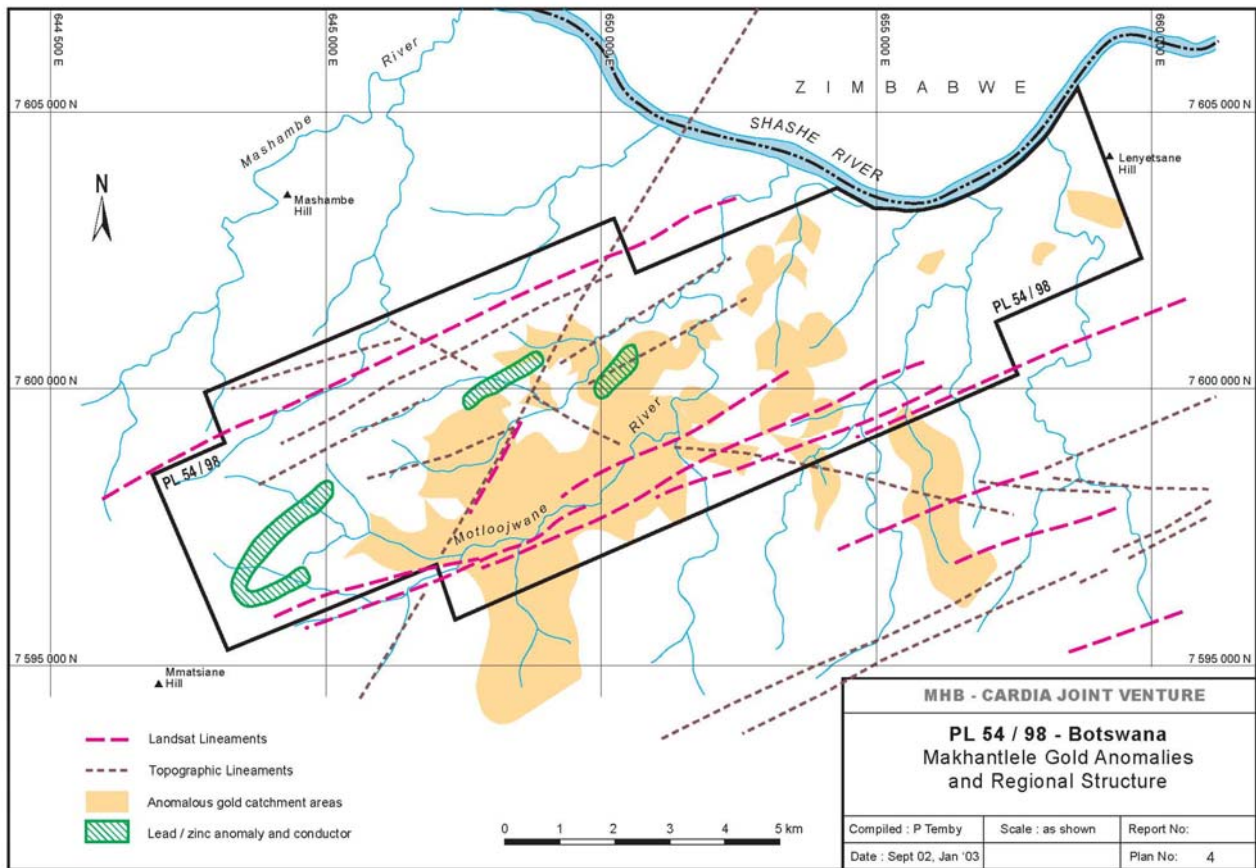


Figure 4 - Makhantlele Gold Anomalies and Regional Structure

Strike length of the anomalous zone is now thought to be at least eight kilometres long with possibly two or three subparallel horizons. The anomalies are partially coincident with the Magogaphate South Splay fault as previously interpreted from Landsat imagery by Cardia. Potential is thought to be present for Renco style mineralisation similar to that found at Magogaphate.

Additional stream sediment sampling has been undertaken in the area to better define and understand the anomalies and to determine if the anomalies may be partially sourced outside current tenements. Anomalies within some of the catchments sampled may be sourced outside current tenements and be related to shear zones to the south of the Magogaphate South Splay fault. These mapped structures include the Gobe Shear zone which is a narrow zone subparallel to the Magogaphate Shear zone.

This prospect area is in the vicinity of the untested zinc lead anomalies and apparently stratabound Geotem conductors 21B, D and E and in the vicinity of the area of principal development of the “yellow marker” that has not yet been compiled onto geological interpretation maps.

Potential for significant metal accumulation is thought to be present due to the very large scale of the mineralizing systems giving rise to the identified gold and zinc-lead anomalies.

4.5 Dibete Copper Gold Prospect

The Dibete prospect was subject to ancient copper workings and substantial tailings are present at the site. Exploration by Falconbridge included grid soil geochemistry and geophysics and trenching. The target was left drill ready but not highly ranked.

Cardia carried out drainage sampling in the area and has substantially increased the potential target size for a gold target associated with the copper already known. A gold anomaly had been previously found by Falconbridge but needed the additional data from Cardia to give it significant extent. Potential may be present for the prospect to be similar to Kalula North.

Additional copper prospects that have not been evaluated in recent years but may have some additional potential include the Airport Copper prospect. This prospect lies to the south east of the Magogaphate prospect and south of Maibele North. It is currently thought to be a small structurally controlled copper prospect. Gold anomalies are associated with this prospect but have not yet been followed up.

4.6 Maibele North Nickel Prospect

Copper and copper-nickel targets were generated in the 1960's by Roan Selection Trust, which later became BCL. These targets were generated by regional scale soil geochemistry as it was thought that drainage geochemistry would be ineffective in the region.

Following the acquisition of regional magnetic and EM data by the Geological Survey as part of an overseas aid program, many of the previously known copper and copper-nickel prospects became the principal targets evaluated by Falconbridge in the early 1990's.

Testing by drilling at the Maibele North resulted in significant intersections of economic grade nickel being found. Other Ni-Cu prospects had a variable but limited amount of testing.

Work on the Maibele North prospect ultimately resulted in delineation of a resource of approximately 380 000 tonnes at 2.0% nickel. Substantial additional potential exists in untested coincident EM and structural targets identified by Falconbridge's consultant structural geologist at both Maibele North and other prospects. These include 'pressure shadow' areas into which sulphides would be expected to flow during the tectonism that has affected the prospect.

These structural targets were also identified at the Sampowane prospect that is within a new tenement applied for by the company.

The Maibele North resource was too small to be of interest to Falconbridge however the MHB Cardia JV is now undertaking a prefeasibility study on the resource to determine if it is viable. This resource may be mineable as a source of direct shipping ore to the BCL smelter, which is located approximately 50 km away by road

4.7 Sekgopye Nickel Prospect

This prospect was recognized as the highest ranked Geotem target in CCCG's interpretation of the regional Geotem data in 1990 for the Botswana Government. Falconbridge soil sampled, mapped, trenched and commenced drilling on the prospect but abandoned the hole well short of the geophysical target when the hole was found to have been drilled down dip.

The MHB Cardia JV carried out some field mapping that confirmed the previous hole had been drilled down dip of outcrops of mafic and ultramafic rocks in the vicinity of the hole and decided to drill the EM anomaly. A single reverse circulation hole 75 metres long was drilled across dip to intersect the interpreted EM target as modeled for Falconbridge by their geophysicist.

The target zone was intersected at the expected depth with disseminated sulphides present in fine grained siliceous host rocks associated with siliceous granitic gneisses. Ultramafic rocks found at surface were intersected in the top 20 metres of the hole. Target may be related to remobilized mineralisation intruded into a shear zone with substantial grain size reduction or may be related to the lead zinc anomaly found near to the ultramafic body. Remobilised mineralisation not associated directly with the source ultramafic is found at Selebi Phikwe and can be expected at the company's nickel prospects also.

Drill holes were sampled on a one metre interval basis and sample preparation was completed at a sample preparation laboratory at Francistown in Botswana. Sample pulps from the drilling program were analysed at Genalysis Laboratory Services in Perth. Results were disappointing with no significant elevated values in either nickel or other metals. No further work is planned for this prospect.

4.8 Crescent Zinc Lead prospect

Lead zinc potential in the tenements had been recognized previously at the 20B anomaly by Clutha/MHB and the volcanic hosted exhalative sulphide environment recognized. The 20B anomaly was interpreted to lie in an unconfined basin and to have little economic potential at this location. Geological and geochemical follow up of this horizon was not carried out past the immediate 20B prospect, however it was thought that the 19B prospect may have been a strike extension of the 20B prospect.

The principal remaining Zn-Pb target, which is a combined geophysical, geochemical and geological target, is the Crescent anomaly 19B. This prospect was initially identified as a high ranking EM anomaly in the CCCG interpretation of the regional airborne survey. Falconbridge carried out grid soil sampling, mapping and ground EM but stopped work when they recognized the target was not a nickel prospect. This anomaly was not drilled by Falconbridge as they did not want to find Zn-Pb deposits.

Cardia's consultant geophysicist identified the 19B geophysical signature as indicating the probable presence of massive sulphides and the conductor has been clearly identified as being related to the Zn-Pb rather than the Ni-Cu target that was originally pursued.

The prospect was drill ready so two vertical reverse circulation holes were drilled to intersect the EM anomaly down dip of the gossan zone exposed in the trench dug by Falconbridge.

Wide intersections of disseminated sulphides were found in both holes. Some zones had sulphides, predominantly pyrrhotite, of up to 15%. This was adequate to explain the target EM anomaly.

Drill holes were sampled on a one metre interval basis and sample preparation was completed at a sample preparation laboratory at Francistown in Botswana. Sample pulps from the drilling program were analysed at Genalysis Laboratory Services in Perth. Results were disappointing with a maximum one metre intersection of 1% Pb + Zn. No further work is planned for this prospect.

Additional zinc lead targets are present in the company's tenements at the 21B, D and E prospects in the Motloojwane Synform. These prospects are airborne EM targets that have had much of the sampling and mapping work done. A reinterpretation of the grid soil results at these prospects, together with evaluation of the role of the Landsat "yellow marker", is required prior to determining where to drill.

The complex folding of the Motloojwane Synform may well be better understood by using the Landsat "yellow marker" identified in this area.

The precise nature of the 'yellow marker' is currently unknown and may constitute a target in its own right as it is thought to be a chert or other siliceous horizon. Prior to ground truthing it is not included as a prospect, but may be an exhalite or a folded silicified shear zone, both of which could have major significance for gold and/or base metal mineralisation. A 'quartzite' unit mapped at anomaly 21B may be the 'yellow marker' in which case it is very closely spatially related to the copper-zinc-lead anomalies and the EM anomalies at that prospect.

5 ADDITIONAL TENEMENT APPLICATIONS

Results of the program carried out by the MHB-Cardia JV have shown that potential for significant gold mineralisation is present in the existing tenements and that the style of mineralisation is similar to the Renco and Franke mines in Zimbabwe and South Africa respectively. Potential for this style of structurally controlled mineralisation is therefore thought to be present throughout the Limpopo-Shashe Belt.

Two tenement applications extend from the western extent of the 52/90 and 111/94 tenements covering the mapped extent of the Magogaphate Shear Zone and the Letlhakane Fault zone to Serule has been lodged with the Mines Department. These applications (Letlhakane and Sampowane applications) cover extensions to the known mineralised structural zone, which also contains additional nickel occurrences that have been drilled previously. These have potential to become economic if Maibele North is viable and have additional potential present as recommended by the consultant structural geologist to Falconbridge Exploration. Gold is also known in the application area near Serule close to the mapped location of the Letlhakane fault.

A further two applications (the Shashe West and Shashe East applications) have been lodged with the Mines Department to cover a series of copper occurrences and one gold occurrence that occur in a curvilinear distribution adjacent to but south of the mapped northern boundary of the Northern Marginal Zone of the Limpopo-Shashe Belt where it meets the Zimbabwe craton. Structural control on these mineral occurrences is suspected. The boundary of the Northern Marginal Zone, where mapped in detail in Zimbabwe, is a series of thrust faults. The Renco mine is associated with some of these structures and lies approximately five kilometres south from the Zimbabwe craton. The copper occurrences may be the only detectable mineralisation at these prospects if the gold is micron sized as the majority is at Renco. Copper is the most abundant minor metal at the Renco Mine. Figure 5 shows these tenement applications as the Letlhakane and Sampowane applications and the Shashe West and Shashe East applications.

A fifth application lodged (the Gobe Shear application) lies adjacent to PL 54/98 on its southern side and extends both east and west along a Landsat feature mapped by Cardia's consultant as the Gobe Shear Zone. This feature appears to be a small version of the Magogaphate Shear Zone and is subparallel to the MSZ. The application also covers part of the Magogaphate South Splay fault that is coincident with substantial parts of the eight kilometer long gold anomalies within PL54/98. Gold anomalies found within PL54/98 may be in part derived outside the current tenement and the application would cover all known

gold anomalous catchments outside granted tenements. Figure 6 shows this tenement application in more detail.

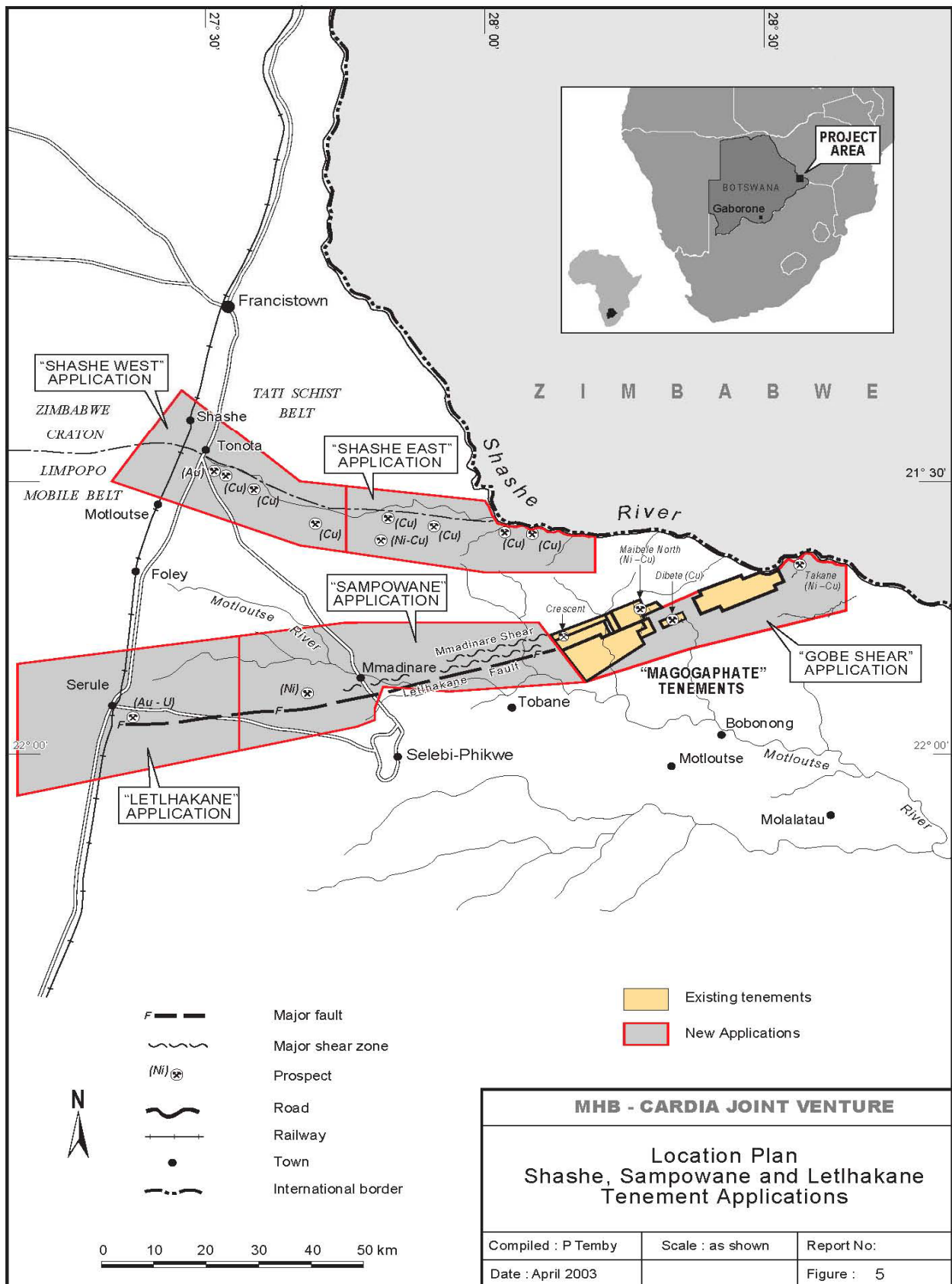


Figure 5 - Location Plan – Shashe, Sampowane and Letlhakane Tenement Applications

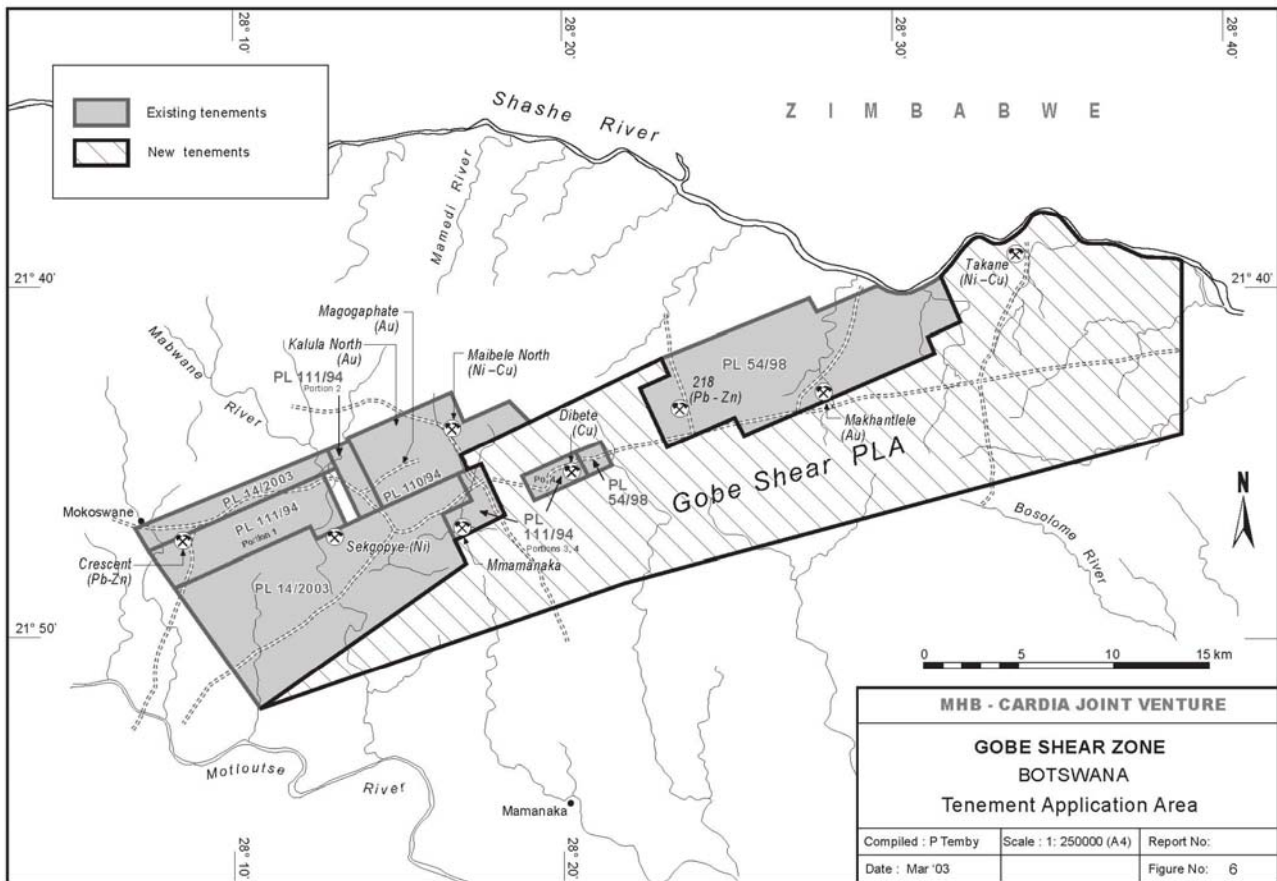


Figure 6 - Gobe Shear Application

6 Discussion and Future Program

Extensive exploration has been carried out on the MHB tenements with discovery of numerous geochemical and geophysical targets, some of which were evaluated to a significant extent by Falconbridge and Clutha in their exploration programs. Cardia carried out Landsat interpretation, which resulted in a structural map of the area being produced, and also carried out an airborne magnetics and radiometrics survey which was carefully interpreted to produce a high quality geological map. A geochemical survey was also carried out in 1998, which, due to both design errors and lack of integration with previous data, did not result in recognition of significant additional potential or result in advancement of the known prospects.

The current program carried out for the MHB Cardia JV has specifically looked at integration of previous data with Cardia's geochemical, geological and structural data and resulted in re ranking of some of the known targets.

The Maibele North prospect was extensively tested by Falconbridge in their programs from 1990-95 and they estimated a small resource of 380 000 tonnes at 2% nickel was present. The Cardia MHB JV has proposed carrying out a prefeasibility study on this resource to assess if it is likely to be viable.

The Sekgopye Ni target, which is a highly ranked EM target, was drilled with intersection of disseminated sulphides in the expected target zone. The sulphides were hosted by siliceous lithologies rather than ultramafics however no elevated metal values were intersected. The EM anomaly is probably adequately explained by the pyrite at the expected EM target depth and no further work is recommended.

Additional nickel prospects with drilled intersections are present in the tenement applications lodged with the Mines Department. Should the Maibele North deposit prove to be viable then a series of similar deposits, all of which may also be viable as sources of ore for trucking to the smelter, will be controlled by the company.

The Magogaphate and Kalula North prospects were further evaluated with soil sampling lines and an initial phase of drill testing. The scale of the mineralized zones is far greater than previously recognized and the style appears to be similar to the Renco Mine in Zimbabwe. Potential for million ounce deposits appears to

be present. The anticipated future program will consist of additional soil sampling to close the anomalies followed by additional drilling to define the extent of significant mineralisation.

The Makhantlele Prospect is interpreted to have a strike length of at least eight kilometres long with possibly two or three subparallel horizons. The anomalies are partially coincident with the major structures and potential is thought to be present for Renco style mineralisation similar to that found at Magogaphate. The next phase of exploration is to carry out soil sampling to define the extent of the sources to the currently known anomalies. This is anticipated to be followed up with drilling programs.

The Crescent Pb-Zn anomaly, which has a coincident massive sulphide type EM response was recognized as a high priority and was drilled with two holes both of which intersected disseminated and veinlet sulphides over significant intervals. No significant metal accumulation is present at this prospect or at the nearby 20B prospect and no further work is recommended.

Integration of the “yellow marker”, identified on the Landsat interpretation, into the geological compilation map and into the EM and geochemical data sets is strongly recommended. This may allow the recognition of significant stratigraphic packages for the Pb-Zn mineralisation present in the Motloojwane fold structure held under PL 54/98. At 20B lead zinc prospect there was good evidence to suggest that this mineralisation was stratabound volcanogenic style and potential could exist for deposits similar to Scuddles in the Yilgarn or Panorama in the Pilbara of Western Australia.

It is proposed to integrate the current topographic map as a base to selected geological and geophysical features. Maps more oriented to being useful in the field for exploration and target definition purposes would be very valuable assets. All necessary base plans are available and could be processed readily.

Some additional gold sampling was carried out to cover areas previously sampled by Cardia but not closed off at the tenement boundaries and also to determine the nature of the Cardia anomalies. This work will have implications for the potential of additional mapped shear zones to the south of existing tenements.

The future program required consists of bringing all known prospects up to at least the level of knowledge currently available for the Magogaphate and Kalula North prospects. This will allow ranking of targets and evaluation of the potential scale of gold or base metal resources present. Further re interpretation of geochemical data previously acquired has resulted in recognition of a number of additional gold anomalies which require further assessment prior to any substantial field program. The distribution of these anomalies and the other prospects is shown on figure 7.

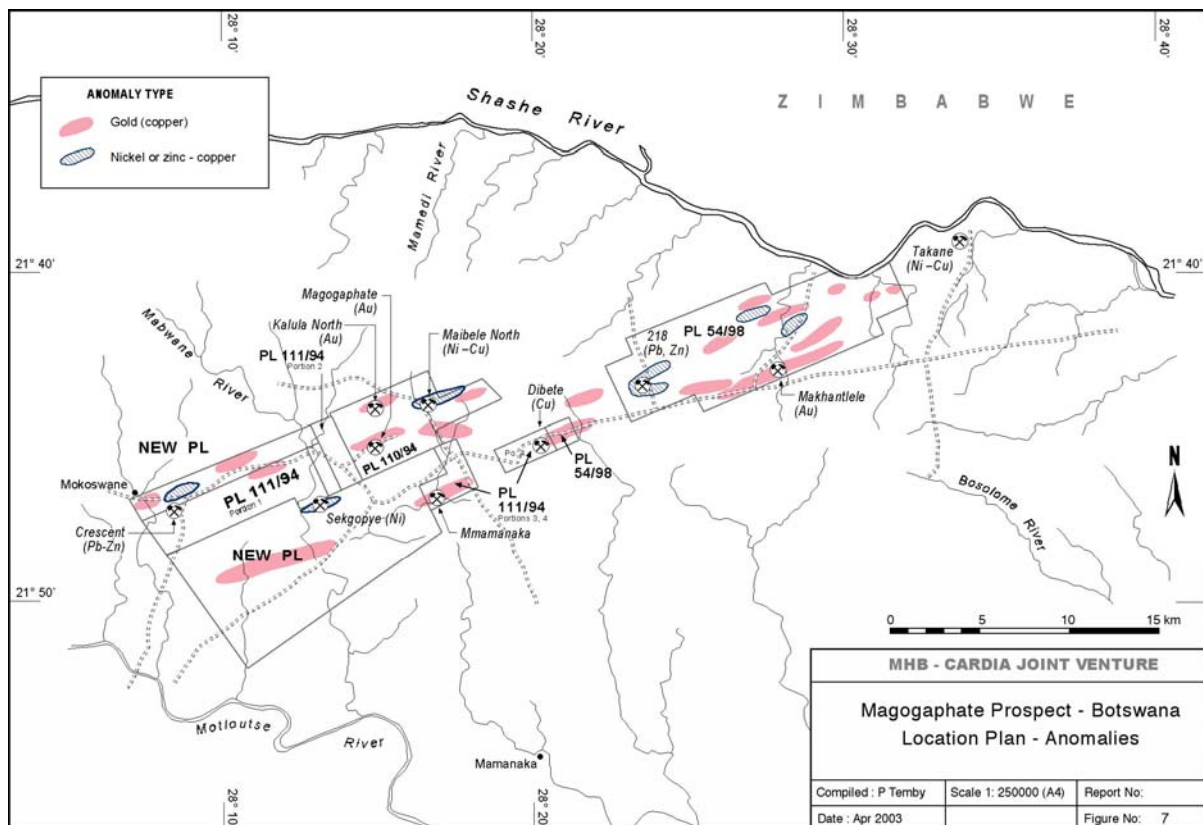


Figure 7 - Magogaphate Prospects – Location Plan - Anomalies

The table below summarizes the current prospects and their present stage of advancement.

Currently Identified Prospects

Prospect Name	Metals	Ground Geophysics	Prospect Mapping	Grid soils	Target Defined
Maibele North	Nickel	Yes	Yes	Yes	Resource of 0.38 mt at 2% Ni, + additional targets
Sekgopye	Nickel	Yes	Yes	Yes	Drilled 1 hole with sulphide intersections
Magogaphate John Bentham South anomaly	Gold	Regional airborne only	Preliminary	Partial coverage over 2.5 km	Drilled 10 holes with alteration and sulphide intersections
Kalula North	Gold	Regional airborne only	Preliminary	Partial coverage over 1.3 km	Drilled 6 holes with alteration and sulphide intersections
Makhantlele	Gold	Regional airborne only	Landsat Interp only	Planned	Recce soil lines required to define targets in 8 km anomaly
Mmamanaka	Gold	Regional airborne only	Landsat Interp only	Planned	Recce soil lines required to define targets
Dibete	Copper-(gold)	Regional airborne only	Yes	Yes	Larger target now indicated by 1998 Cardia sampling, more soil sampling required
Crescent	Zinc-lead-copper-gold	Yes	Yes	Yes	Drilled 2 holes with sulphide intersections
21B	Zinc-lead-copper-gold	Yes	Yes	Yes	Re interpret for drill targets
21 D	Zinc-lead-copper-gold	Yes	Yes	Yes	Re interpret for drill targets
21 E	Zinc-lead-copper-gold	Yes	Yes	Yes	Re interpret for drill targets

7 Conclusions and Recommendations

The Magogaphate tenements contain a variety of prospects that warrant intensive follow up. These include the small nickel resource at Maibele North that is currently the subject of a feasibility study to the substantial sized gold anomaly drilled at Magogaphate as well as a number of the untested lead zinc copper prospects and several of the major strike length gold anomalies.

The Maibele North resource is currently being reassessed to determine if it can be economically mined and transported the short distance to the Selebi Phikwe smelter. Expertise in MHB in small mine operation

makes this a distinct possibility that could make this deposit, and others nearby, attractive targets. Significant additional potential is also present at this deposit and would warrant drilling if the current resource proved to be economically viable. Other previously drilled deposits are known that also have untested potential and could be developed into additional sources of direct shipping ore.

The Magogaphate and Kalula North prospects are parts of large mineralizing systems that have many features in common with the shear hosted mineralisation at the Renco mine in Zimbabwe. Mineralising system size is large and previous work at Magogaphate indicates that the system is significantly gold bearing. Follow up of the eastern end of gold anomalies at Magogaphate is necessary. This will require additional soil lines as well as extensions of current lines. These prospects, and the Makhantlele Prospect to the east in PL 54/98, have potential to host major deposits. The scale of the mineralisation at Mmamanaka is unknown, however the prospect gave the highest order gold anomaly in the western group of tenements when sampled in 1989 to follow up the Victoria Prospecting Company results from the 1930's.

Moderately advanced prospects like Dibete, and EM targets 21B, 21D and 21E, warrant detailed follow up on the basis of inferred potential. Dibete is an EM target that has potential for copper – gold and the possibility that it may be a similar system to that at Kalula North that was previously viewed as a copper prospect with little gold potential. The 21B, D and E prospects are lead zinc targets with much of the sampling and mapping work done. A reinterpretation of the soil results at these prospects, together with evaluation of the role of the “yellow marker”, is required prior to determining where to drill.

It is also recommended that the Landsat data be fully compiled into the geological composite plan to assist in evaluation of the stratigraphic location of known prospects. This work would have the added benefit of allowing production of better composite maps of selected Landsat features, topography and selected interpreted Geotem features to give economic geology oriented interpretations.

The series of new tenement applications made by the company will secure highly prospective ground, the majority of which has not previously been subject to modern exploration. No modern exploration has been undertaken for the Renco style of structurally controlled mineralisation that is thought to be widespread in the region.

The new tenements will also secure a series of known and drilled nickel prospects that may be economic as sources of direct shipping ore to the adjacent smelter at Selebi Phikwe.

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GLOSSARY OF TECHNICAL TERMS

Amphibolite	A crystalline rock composed mainly of amphibole and plagioclase with little or no quartz
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
Arsenopyrite	Principal ore of arsenic, FeAsS
As	Chemical symbol for arsenic
Au	Chemical symbol for gold
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 – a 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
Chert	Hard silica rich rock that can be formed by a variety of different processes
Co	Chemical symbol for cobalt
Conglomerate	Coarse grained sedimentary rock with grains in excess of two millimeters
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
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
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
Epilastic	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
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
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
Halo	Used geologically to indicate low grade mineralisation or alteration surrounding higher grade or more intense development of mineralisation or alteration
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
Karoo age	Rocks formed in the period from about 300-160 million years ago, Southern African term
Lenses	The shape of geological units that thin towards the margins and have at least one convex surface
Lithological	Relating to the physical character, composition and description of rocks
Mafic	Description of a rock with a high proportion of dark coloured minerals, eg basalt
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 grain size of the original rock
Mn	Chemical symbol for manganese
Mo	Chemical symbol for molybdenum
Mylonite	Streaky or banded rock formed by intense brecciation and shearing of rock when subjected to very high stress
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
Paragneiss	Gneiss formed from rocks that were originally of sedimentary origin
Pb	Chemical symbol for lead
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
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
Pyrite	Common form of brass yellow iron sulphide, FeS ₂ , also known as fools gold
Pyrrhotite	Common form of red-brown to bronze iron sulphide, Fe _{1-x} S, with some ferrous ions lacking
Quartz – carbonate	Type of altered rock composed principally of quartz and carbonate minerals
Radiometrics	Descriptive of a geophysical method where the radioactive characteristics of rocks are measured
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
Siliceous	Said of a rock containing abundant silica, especially as quartz
Silicified	The introduction of or replacement by silica into or of pre existing rocks, unconsolidated materials including vegetation within those materials

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
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
Tati Schist	Name of the greenstone (or schist) belt in north eastern Botswana in the vicinity of the 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
Turbidite	A sedimentary rock deposited from a suspension of grains in water. Usually shows grading from coarse to fine grain size
Ultramafic	A rock composed principally of mafic minerals, will be dark coloured
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

SOLICITORS REPORT - AUSTRALIAN TENEMENTS



L A W Y E R S

17 December 2003

BY FACSIMILE NO: (03) 9642 0698

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ATTENTION: Mr Graeme Menzies

Dear Sir

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Our reference
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A-CAP RESOURCES LTD - NATIVE TITLE REPORT

Corrs Chambers Westgarth ("Corrs") has been engaged to advise on native title issues associated with the following Exploration Permits ("EPM") issued or pending under the Mineral Resources Act (Qld) 1989 ("MRA").

The identification of the Permits and their current status as at 16 December 2003 are set out in the table below:

Identification of EPM	Date first granted (if applicable)	Current expiry date
Reedy EPM 9934	2 March 1994	2 March 2004
Tempest EPM 11765	Not yet granted - application lodged 28 April 1997 (refer to discussion below).	--
Campbell Creek EPM 10026	6 April 1994	5 April 2004
Hurricane South EPM 12240	13 June 2003 (access agreement processes for low impact exploration under MRA not yet complete - refer to discussion below).	12 June 2005

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17 December 2003
A-CAP Resources Ltd
A-CAP RESOURCES LTD - NATIVE TITLE REPORT

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Exploration permits and native title – brief description of current law in Queensland

The Queensland Alternative State Provisions (“ASP”) dealing with the grant of mining tenements as “future acts” under relevant native title legislation (Native Title Act (Cwlth) 1993, Native Title (Qld) Act 1993 and Mineral Resources Act 1989) were found to be valid by the Full Court of the Federal Court of Australia in November 2002 (*Queensland –v- Central Queensland Land Council Aboriginal Corporation; Attorney General Commonwealth –v- Central Queensland Land Council Aboriginal Corporation*).

Notwithstanding that finding, the State of Queensland has decided to no longer process new mining tenements in accordance with the ASP. It will be reverting to the “expedited procedure” processes provided for under the Commonwealth Native Title Act (“NTA”) for dealing with future mining tenement applications.

Recent amendments to the Mineral Resources Act (“MRA”) have therefore confirmed that applications made before 31 March 2003 and not yet granted will be dealt with in accordance with the ASP, whereas applications made thereafter will be dealt with according to the expedited procedure process.

The State has also negotiated a number of Indigenous Land Use Agreements (“ILUA”) which have been lodged for registration with the National Native Title Tribunal (“NNTT”) to facilitate the grant of some of the current backlog of exploration applications.

Advice from the Department of Natural Resources and Mines confirms one such ILUA, concluded with the Western Yalanji People in North Queensland, covers EPM 11765 which has not yet been granted. The ILUA was lodged for registration on 22 April 2003. Notification of the ILUA has commenced but it is not yet registered.

Advice received from the Department of Natural Resources and Mines and the NNTT is to the effect that on registration of the ILUA, holders of tenement applications covered by it can “opt in” to the requirements of the ILUA if they wish. If they do, the tenement, as a future act, will be granted subject to compliance with the terms of the ILUA. If applicants do not “opt in” to the ILUA their applications can be dealt with under the expedited procedure arrangements. The ILUA has not been specifically perused and reviewed for purposes of this report.

The NNTT has also confirmed that a further ILUA, concluded with the Djungar People, covers EPM 12240. The ILUA was registered on 7 October 2003.



17 December 2003

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A-CAP Resources Ltd

A-CAP RESOURCES LTD - NATIVE TITLE REPORT

The expedited procedure involves the State publishing a notice in relation to the proposed grant which notice must include a statement that the State considers the relevant future act (grant of mining tenement) is an act attracting the expedited procedure. Native title parties have a right to lodge an objection in relation to the inclusion of the statement in the notice. Objections are heard by the relevant "arbitral body". In Queensland that is the Land and Resources Tribunal. If objections are overcome through negotiation or if the arbitral body determines that the future act is an act attracting the expedited procedure the State may do the act.

If the arbitral body determines that the act is not one attracting the expedited procedure the normal right to negotiate processes will apply.

Under the ASP where an Exploration Permit has been granted as a low impact Exploration Permit it will be a condition of the permit that the permit holder must not act under the permit to enter, for the first time, any area of non-exclusive land unless the holder has consulted with each registered native title party for the area (section 488(1) MRA).

Pursuant to section 486 of the MRA an applicant must give written notice of the applicant's intention to lodge an application for a low impact exploration permit. The notice must be given to each native title notification party which includes:

- a registered native title body corporate;
- a registered native title claimant;
- a representative Aboriginal/Torres Strait Islander body for an area that includes any of the land.

Notification must also be given to the NNTT. If, at the end of the three month notification period which follows, a native title determination application is made in response to the notice, the NNTT must endeavour to register that claim within a further month.

Pursuant to section 488(3) of the MRA it is also a condition of a low impact exploration permit that the holder not act under the permit to enter, for the first time, any area of non-exclusive land, unless the holder has negotiated an access agreement for entry to the area with each registered native title party for the area.

The purpose of the consultation is to minimise the impact of the exploration permit on the exercise of native title rights and interests in relation to the land that will be affected under the permit, and to obtain any necessary access agreement for entry (section 489 MRA).



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The requirements of access agreements and provisions in relation to mediation in relation to access are contained in sections 489A-493 of the MRA. Ultimately, the LRT can be asked to decide the terms of an access agreement if the parties cannot agree.

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. Current tenure searches indicate the EPMs are located on a combination of exclusive and non-exclusive tenure as follows:

- EPM9934; and
EPM11765 - PPH 14/5111 and GHPL 14/232 (non-exclusive and exclusive)
- EPM12240 - PPH 14/5111 (non-exclusive)
- EPM10026 - GHPL 9/2825 (exclusive)

As we have been unable to precisely locate the EPMs in accordance with underlying tenure we have proceeded on the basis that native title may be an issue with respect to all of the EPMs irrespective of whether the underlying title can be described as non exclusive or exclusive.

Our search of the Register of Native Title Claims (and Applications Summary) provided by the NNTT to us on 15 December confirms there are no native title determination applications registered or lodged over the areas covered by the EPM's as at that date. That does not mean claims will not be lodged in the future.

Against the above background our summary of each of the EPMs and relevant native title issues is as follows:

Reedy EPM 9934

The EPM is valid. It was issued post 1 January 1994 and, if it was invalid by reason of native title it will have been validated by the 1998 amendments to the NTA as an "intermediate period act". The non-extinguishment principle would apply to any underlying native title which may have continued to exist notwithstanding the impact of the underlying tenures. It was issued subject to a "Schedule of General Exclusions and Conditions". The copy of the Permit with which we have been provided by Environmental and Licensing Professionals Pty Ltd on 27 June did not include a copy of the Schedule.



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EPM 11765

The EPM has not been granted. It remains in the application stage. We are advised it is included in the Western Yalanji ILUA which has been notified but is not yet registered. Once registered the tenement holder will have to decide whether to "opt in" to the requirements of the ILUA or proceed in accordance with the expedited procedure process described earlier.

EPM 10026

The EPM is valid. It was issued post 1 January 1994 and if it was invalid by reason of native title it will have been validated as an "intermediate period act". The non-extinguishment principle will have applied to the grant of the EPM. It was issued subject to a "Schedule of General Exclusions and Conditions". The copy of the Permit with which we have been provided by Environmental and Licensing Professionals Pty Ltd on 27 June did not include a copy of the Schedule.

EPM 12240

The EPM has been granted as a low impact exploration permit under the ASP.

Notification was given to the NNTT on 24 April 2003.

The EPM has been granted subject to a Schedule of General Exclusions and Conditions. Paragraph 10 under "Exclusions" provides:

"The grant of this Exploration Permit is in respect of land where native title may still exist, to the extent that the land the subject of the permit is non-exclusive land and allows activities to be carried out that are low impact activities as defined in section 482 Mineral Resources Act 1989..."

The EPM is covered by the Djungar People Exploration Permit Backlog ILUA that was registered on 7 October 2003.

A tenement holder must comply with the terms of the ILUA to obtain consent of the Native Title Parties to the grant of the relevant future act (i.e., grant of the EPM). The relevant provisions of the ILUA appearing on the NNTT Register of the Indigenous Land Use Agreement provides:



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- “9.2 The Native Title Parties on behalf of the Native Title Group consent to the grant of an EP [means an Exploration Permit] to an Explorer provided that: [certain conditions are met].
- 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 [these are the conditions contained in Schedule 2 of the Agreement].”

We have not examined the specific conditions referred to in these clauses (which reference parts of the ILUA) for the purposes of this report and cannot comment on the EPM holders current level of compliance with the requirements of the ILUA.

Yours faithfully

CORRIS CHAMBERS WESTGARTH

Henry Prokuda
Partner

INDEPENDENT ACCOUNTANT'S REPORT

IAN D RILEY

Chartered Accountant

ABN 86 673 257 016

Level 9, 356 Collins Street, MELBOURNE VIC 3000

Phone: 0422 801 135

10 December 2003

The Directors
A-Cap Resources Ltd
Level 1
89 High Street
KEW VIC 3101

Dear Sirs,

INDEPENDENT ACCOUNTANT'S REPORT

1. INTRODUCTION

I have prepared this report at the request of the Directors of A-Cap Resources Ltd ("A-Cap"), for inclusion in a prospectus relating to the issue of approximately 72,362,794 fully paid ordinary shares at an issue price of \$0.01 per share by way of entitlements offer to the members of Cardia Technologies Ltd ("the Prospectus").

Expressions defined in the Prospectus have the same meaning in this Report.

The Prospectus seeks to raise approximately \$723,627 before costs of the Issue, and the Issue is underwritten by interests associated with Directors of Cardia Technologies Ltd ("Cardia").

The moneys being raised are to be used to provide working capital and other funds for the exploration of mining tenement areas being acquired by A-Cap from Cardia.

2. BACKGROUND TO A-CAP

A-Cap was incorporated on 11 March 2003 and has not yet commenced business.

3. BASIS OF PREPARATION

This report has been prepared to provide investors with information on the assets and liabilities of A-Cap. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. I 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 for any matter or omission in the Prospectus, other than responsibility for this report.

4. SCOPE OF REPORT

You have requested me to prepare an Investigating Accountants Report on:

- (i) the audited statement of financial position of A-Cap as at 30 June 2003; and
- (ii) the unaudited pro-forma statement of financial position of A-Cap as at 30 June 2003 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Appendix A.

The Directors are responsible for the preparation of the pro forma Statement of Financial Position and have determined that the basis of accounting used is appropriate.

A-Cap, incorporated on 11 March 2003, has not carried on any business from the date of incorporation to 30 June 2003.

The pro forma financial information referred to above has not been audited or subject to formal audit review.

I have examined the financial statements and other relevant information and made such enquiries as I considered necessary for the purpose of this report. The scope of my examination was substantially less than an audit examination conducted in accordance with Australian Auditing Standards and accordingly, I do not express such an opinion. My examination included:

- (i) discussions with directors and other key officers of A-Cap;
- (ii) a review of contractual arrangements, agreements and joint venture agreements (a summary of which is set out in Section 14 of the Prospectus of which this report forms part); and
- (iii) a review of work papers, accounting records and other documents.

5. PRO FORMA FINANCIAL INFORMATION

The pro forma Statement of Financial Position as at 30 June 2003 (Appendix A) has been prepared from the audited accounts of A-Cap at that date adjusted for the proposed transactions detailed in the Prospectus and summarised in the assumptions and notes to that Pro Forma Statement of Financial Position.

The purpose of the pro forma Statement of Financial Position is to incorporate the financial effects of the fund raising pursuant to the Prospectus.

6. OPINION – PRO FORMA STATEMENT OF FINANCIAL POSITION

Based on my review, which is not an audit, nothing has come to my attention which would require any modification to the pro forma Statement of Financial Position (Appendix A) in order for it to present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), the financial position of A-Cap as at 30 June 2003 assuming the transactions in Appendix A had taken place.

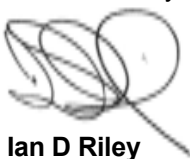
7. SOURCES OF INFORMATION

To the best of my knowledge and belief, nothing has come to my attention to indicate that there have been other material transactions or events subsequent to 30 June 2003, 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.

8. DISCLOSURE

I do not have any pecuniary interests in A-Cap that could reasonably be regarded as being capable of affecting my ability to give an unbiased opinion in relation to this matter. I was not involved in the preparation of any other part of this Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any other part of the Prospectus. I will provide audit services to A-Cap and will receive a professional fee for the preparation of this Report. Neither I, nor any of my associates, within the meaning of the Corporations Act 2001, hold or have any interest in any ordinary Shares of A-Cap or Cardia Technologies Limited. 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,



Ian D Riley
Chartered Accountant

APPENDIX A

The financial impact on A-Cap of the issue of Shares under this Prospectus is set out below in the pro forma Statement of Financial Position as at 30 June 2003.

FINANCIAL STATEMENTS AS AT 30 JUNE 2003 AND PRO FORMA FINANCIAL STATEMENTS BASED THEREON AND THE ASSUMPTIONS SET OUT HEREIN

	Notes	Proforma A\$	Audited 30 June 2003 A\$
CURRENT ASSETS			
Cash assets	1	486,930	100
TOTAL CURRENT ASSETS		486,930	100
NON-CURRENT ASSETS			
Deferred exploration, evaluation and development costs	2	765,311	-
Investment in Gansu Sino-Australian Mineral Resources Development Company Limited		50,000	
TOTAL NON-CURRENT ASSETS		815,311	-
TOTAL ASSETS		1,302,241	100
CURRENT LIABILITIES			
Payables	3	-	-
NON CURRENT LIABILITIES			
Payables	4	67,950	-
Convertible debt	5	597,361	-
TOTAL NON CURRENT LIABILITIES		665,311	-
TOTAL LIABILITIES		665,311	-
NET ASSETS		636,930	100
EQUITY			
Contributed equity	6	636,930	100
Retained profits (losses)		-	-
TOTAL EQUITY		636,930	100

Assumptions and Notes:

1. Gross funds to be raised by the Issue, \$723,627, plus initial subscription of \$100 (see Section 6.1 of the Prospectus) after costs of the Issue (\$86,797) and payments of \$100,000 and \$50,000 to Cardia, see note 2.
2. The Directors have included \$765,311 as exploration interests on the basis of the agreements referred to in Section 14 of the Prospectus. Of that amount, \$597,361 is shown as non-current convertible debt which is able to be satisfied by conversion to equity in A-Cap on the basis of the issue and allotment of new ordinary shares to Cardia on the terms set out in Section 14.5 of the Prospectus. This amount is only payable in certain circumstances, namely, if A-Cap is at any subsequent time admitted to listing on Australian Stock Exchange Limited ("ASX"). No other consideration is payable in relation to the assignment of the tenements in relation to which this liability has been incurred and no obligation is imposed upon A-Cap to make application to ASX for any such listing. A further amount of \$67,950 is recorded as a non-current payable to Cardia representing the projected amount which will remain unpaid to Cardia subsequent to the close of the Issue and admission of A-Cap to Newcastle Stock Exchange Limited on the assumption that those matters occur and \$100,000 is paid from the proceeds of the Issue to A-Cap in part reimbursement of an aggregate amount of \$167,950 paid by Cardia in relation to the mining tenements being transferred with a further \$50,000 having been applied to repay loan from Cardia used to fund acquisition of interest in Gansu Sino-Australian Mineral Resources Development Company Limited. Payment of that amount of \$150,000 is reflected in the Application of Funds statement contained in Section 7 of the Prospectus.
The ultimate recovery of this asset is primarily dependent upon the successful development and commercial exploitation of, or alternatively, sale of the tenements.

3. There are no current payables as the costs of the Issue and the amount payable to Cardia on completion of the Issue have been deducted from the total of funds raised (refer Note 1 above).
4. Balance of Cardia's expenditure since 1 July 2002 remaining outstanding as a deferred non-current liability (see Note 2 above).
5. The face value of the convertible debt owed to Cardia and convertible into shares in A-Cap as set out in Section 14 of the Prospectus (see Note 2 above).
6. Should the underwriting fees, \$36,181, be settled by equity issue and not cash, contributed equity increases from \$636,960 to \$673,141 reflecting the issue of the additional 3,618,139 shares at an amount of \$0.01 per ordinary share in satisfaction of the liability to pay underwriting fees. In this circumstance, capital post the Issue would increase to 75,981,033 shares.

1. Summary of Significant Accounting Policies

This financial report is prepared in accordance with applicable Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the requirements of the Corporations Act 2001.

Except for certain assets which, as noted, are at valuation, the financial statements are prepared in accordance with the historical cost convention.

(a) Exploration Interests

Expenditure is accumulated separately for each area of interest until such time as the area is abandoned or sold. The realisation of the value of the expenditure carried forward depends on any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment. Some exploration expenditure may also be written off where areas of interest are partly relinquished. In cases where uncertainty exists as to the value, provisions for possible diminution in value are established.

(b) Recoverable Amount of Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the net asset is written-down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

2. Exploration Interests

	Actual 30 June 2003 \$	Pro Forma 30 June 2003 \$
Exploration Prospects at:		
- cost	-	655,311
- Directors valuation	-	-

3. Contributed Equity

100 Shares fully paid at \$1.00 each	100	100
72,362,794 Shares fully paid at \$0.01 (1 cent) each	-	723,627
Less Costs of Issue	-	(86,797)
	<u>100</u>	<u>\$636,930</u>

4. Related Party Transactions

(a) Directors and Officers

The names of the persons who were the Directors of A-Cap during the year were as follows:

Patrick John Volpe (Executive Chairman)
Desmond Kong-man Wan (appointed 25 August 2003)
Kenneth James Ingbritsen (resigned 25 August 2003)
Peter Pena.

The Company Secretary is John Howden Wilson.

(b) Particulars of Directors' and Officer's entitlement in Shares of A-Cap

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 Cardia are set out below together with their entitlement to shares in A-Cap pursuant to the Issue under the Prospectus:

Name	Position	Shares in Cardia	Options in Cardia	Entitlement to Shares in A-Cap
Patrick John Volpe	Director	10,680,130	10,680,130	5,340,065
Desmond Kong-man Wan	Director	23,000	Nil	11,500
Peter Pena	Director	305,000	380,000	152,500
John Howden Wilson	Secretary	146,666	96,666	73,333

5. Commitments and Contingent Liabilities

No provision has been made for the following in the accounts of the Company:

- (a) Native title applications and/or future act requirements under the provisions of the Native Title Act 1993 or related legislation, may impact on exploration tenements under application. Any substantiated claim may have an effect on the value of the tenement application affected by the claim.
- (b) The Company is required to outlay amounts pursuant to its joint venture agreement in relation to the Hodgkinson Basin tenements in Queensland. An amount of \$16,000 has been allowed on account of those expenditures for the year ended 30 June 2004 based on advices from Cardia's joint venture partner. Additionally, the Company will have liabilities in relation to its Botswanan tenements. These are not presently quantified and an amount of \$150,000 has been allowed for the tenements described in the Prospectus as the Magogaphate mining tenements and a further provision of \$50,000 has been made in relation to the Jim's Luck tenement pursuant to joint venture arrangements with Gallery Gold Botswana (Pty) Ltd as referred to in Section 3.6 of the Prospectus.

The commitments will be funded by the Company, and wherever appropriate, its joint venture partners attending to their respective obligations.

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