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The Mining Investment Experts

**OZEQUITIES
COMMENTARY****On IPO**

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A-Cap Resources Ltd (“ACB”)

“Similarities to Paladin’s Langer Heinrich but With Karoo Uranium Potential”

Moving Listing From Newcastle to ASX

A-Cap, a company that has previously been listed on the Newcastle Stock Exchange, has just raised \$5m through the issue of 25 million shares at 20¢ each, after consolidating its capital on a 3 for 4 basis. Post listing there are 95.5 million shares on issue with a market capitalisation of \$19.1m, at the 20¢ issue price.

The listing date was 19th May, which was unfortunately in the middle of the market meltdown. However, this did not stop the shares opening up at a healthy premium

Uranium Offers Greatest Appeal

A-Cap has a suite of projects in Botswana, China and Australia, but the one that has captured our attention is the Mokobaesi uranium project in Botswana. At first glance there are similarities to the style of orebody that Paladin is developing at Langer Heinrich. It is much earlier in the piece for A-Cap though, and the real potential lies more in the underlying sandstone material than the calcretes themselves.

Mokobaesi is a typical calcrete hosted uranium deposit derived from the weathering of underlying sandstone-hosted mineralisation. It was originally identified by Bamangwato Concessions Ltd, when that company conducted exploration over a 1.1 km x 500m area, digging 22 pits to a depth of three metres. Seven of these pits returned grades of better than 0.05% U₃O₈. These pits, nine percussion holes and one diamond hole led to an initial calculation of 1.75 mill. tonnes at 0.069% U₃O₈. The deposit is shallow, covered by only one metre of soil.

The same exercise pointed to the underlying Karoo sediments as being the source of the uranium, and it estimated that there could be in the order of 75 mill. tonnes of this material based on dimensions of 1.2 km x 1 km x 25m. The grade was postulated to be 0.015-0.03%. (It is noteworthy that in South Africa there has been a pegging rush to acquire Karoo sediments for uranium prospectivity e.g. Peninsular Minerals). While the grade is low, the global mineralised envelope could contain in the order of 20,000

tonnes of U₃O₈. It is a prize worth chasing, particularly if a higher grade portion could be found with at least 5,000 tonnes. The metallurgy seems fine with 90% recovery being achieved in tests conducted by the Metal and Mining Agency of Japan.

On the upside, consider that the Karoo underneath the Mokobaesi has potential for 20,000 t U₃O₈, within a small proportion of the total prospective area in a cross-shaped anomaly with arms 13km x 10km. The potential is some multiple of the above figures and therefore very significant. The Company is about to undertake a satellite study designed to assess the full extent of the Karoo in order to gain a better idea of the ultimate dimensions.

Generally the region demonstrates numerous examples of uranium mineralisation and it has attracted big companies that have included Falconbridge, Union Carbide, Urangesellschaft, Esso Minerals and Shell.

Gold Project With Gallery at Jim’s Luck (20%)

Jim’s Luck, in Botswana, is a joint venture with Gallery Gold, whereby GGY earned 80% by spending \$0.5m. The geology is b.i.f style with the prospective horizon being 5m wide with a strike 1,500m. Early guesses after the first 50 drill holes suggest that there could be 200-250,00 open pitable ounces in the order of 2.5 gpt. Gallery’s plant is only 25 km away, so any resource could be quickly converted to cash flow. On the upside, a recent geological assessment has suggested that there are a number of repeats of the structure – so there might be much more gold.

Nickel at Maibele North (100%)

This is an interesting prospect with a previously identified 380,000 tonnes of mineralisation at 2% Ni with 0.5% Cu and PGEs. Rather than offering large tonnage potential though, this prospect seems to be a narrow, medium grade situation. Work will be directed towards defining the existing shoots and testing for strike extensions. Its proximity to a nickel smelter 50km away could enhance the potential economics should a mineable resource be defined.

Botswana is a Mining Friendly Country

Botswana is recognised as one of the best countries in the world for mining companies, so the usual discount for African geopolitical risk should not be relevant here.

The Bottom Line

It says something for the Company, and its broker Bell Potter Securities, that this IPO has come onto the bourse at a significant premium to the issue price, in the worst week in the market for the past year or more. The general stock market will be rocky for a while but remember that the hedge funds can't sell down the uranium price, which is based on long term contracts.

Uranium is still the biggest game in town! ACB should do very well in the market once things settle down.

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Warwick Grigor is a director of Far East Capital Ltd and a consulting analyst. He and his associates have material interests in the securities of A-Cap Resources Ltd, being shareholders. This report provides information of a general nature and it does not contain a recommendation, express or implied, to deal in the securities mentioned herein

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