



ABN 28 104 028 542

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 27 JUNE 2008

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of the Company will be held at Suite 5.09, Level 5, Pacific Tower, 737 Burwood Road, Hawthorn, Victoria, 3122 on Wednesday 30th July 2008 at 9.00am AEST.

A copy of the Notice of Meeting being distributed to shareholders is attached.

Richard Baker
Company Secretary

A-Cap Resources Limited

REGISTERED OFFICE

Suite 5.10, 737 Burwood Rd, Hawthorn, Victoria, 3122, Australia
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ACN 104 028 542

NOTICE OF GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

30 July 2008

Time of Meeting

9am AEST

Place of Meeting

Suite 5.09, Level 5
Pacific Tower
737 Burwood Road
Hawthorn Victoria 3122



ACN 104 028 542

NOTICE IS HEREBY GIVEN THAT A GENERAL MEETING OF SHAREHOLDERS OF A-CAP RESOURCES LIMITED (ACN 104 028 542) (“COMPANY”) WILL BE HELD AT SUITE 5.09, LEVEL 5, PACIFIC TOWER, 737 BURWOOD ROAD, HAWTHORN, MELBOURNE 3122 IN THE STATE OF VICTORIA ON WEDNESDAY 30 JULY 2008 AT 9AM (AEST).

An Explanatory Memorandum containing information in relation to the resolutions to be put to the meeting accompanies this Notice of General Meeting.

AGENDA

SPECIAL BUSINESS: GRANT OF OPTIONS TO DIRECTORS

To consider and if thought fit, to pass, with or without amendment, the following resolutions, each as a special resolution:

Grant of Options to all Directors of the Company

1. *That approval be given to grant:*

- (a) *Mr Patrick John Volpe (or his nominee) 1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 30 cents per option expiring on 30 June 2011, with such options being granted on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this Notice of Meeting.*
- (b) *Dr Andrew James Tunks (or his nominee) 1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 30 cents per option and to grant him a further 750,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 40 cents per option, with each class of options expiring on 30 June 2011 with such options being granted on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this Notice of Meeting.*
- (c) *Mr Henry James Stacpoole (or his nominee) 1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 30 cents per option expiring on 30 June 2011, with such options being granted on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this Notice of Meeting.*
- (d) *Dr Paul Woolrich (or his nominee) 1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 30 cents per option expiring on 30 June 2011, with such options being granted on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this Notice of Meeting.*

Grant of additional Options to Dr Paul Woolrich

2. *That approval be given to grant Dr Paul Woolrich (or his nominee) 1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 55.2 cents per option expiring on 29 November 2009, Dr Paul Woolrich (or his nominee) with such options being granted on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting which terms and conditions are hereby incorporated into and form part of this Notice of Meeting.*

By Order of the Board of
A-Cap Resources Limited

Richard Baker
Company Secretary
Dated: 24 June 2008

NOTES

Voting and Instructions for Appointment of Proxy:

1. In accordance with the Corporations Act 2001 the Directors have determined that the shares of the Company that are quoted on the Australian Securities Exchange as at 9am on 25 July 2008, will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote at the meeting.
2. A Member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.

If the Member does not specify the proportion of votes the proxy may exercise, then each proxy will be taken to exercise one half of the votes held and subject to the proxy with fractional entitlements to votes being disregarded.

3. A proxy duly appointed need not be a Member of the Company. In the case of joint holders all must sign.
4. A form of proxy accompanies this Notice and, to be effective, the form and any document necessary to show the validity of the form of proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
5. Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (a) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions in these notes; or
 - (b) completes and either lodges with the Company prior to the meeting a form of appointment of or certificate of appointment of a personal representative in accordance with the provisions of Section 250D of the Corporations Act or causes such personal representative to attend the meeting with such form of appointment or certificate; or
 - (c) has appointed an attorney.

and such proxy, personal representative or attorney attends the relevant meeting, then such corporate shareholder will be unable to exercise any votes at the relevant meeting.

6. Proxies and corporate appointment of representative forms may be returned to the Company in either of the following ways:
 - (a) in person or by post to
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
 - (b) by facsimile to 07 3237 2152.
7. Corporate Members should comply with the execution requirements set out in these notes or otherwise comply with the provisions of Section 127 of the Act. Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:
 - (a) 2 directors of the company; or
 - (b) a director and a company secretary of the company; or
 - (c) for a proprietary company that has a sole director who is also the sole company secretary – that director.

For A-Cap Resources Limited to rely on the assumptions set out in Sections 129(5) and (6) of the Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable.

In particular a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

Where a person signs the proxy and does not specify that the person signing is signing as a sole director and sole company secretary then the person signing the proxy will be deemed to have warranted to the Company that the Corporate Member is a company that has dispensed with the requirement to appointed a secretary as permitted by section 204A of the Act.

8. Completion of a proxy form will not prevent individual Members from attending the meetings in person if they wish. Where a Member completes and lodges a valid proxy form and attends the meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the meeting.
9. Where a proxy form or form of appointment of or certificate of appointment of a personal representative is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy.
10. The Company advises that it will disregard any votes cast on each of resolutions 1 and 2 by each of the proposed grantees of the Options referred to in the resolution and any associate of any of them within the meaning of the Corporations Act 2001. However, the Company will not disregard a vote if:
 - (a) it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
11. Chairman's voting intentions: All members appointing proxies should note that the Chairman intends to exercise proxies in his favour, and which do not direct the proxy holder how to vote, in favour of all resolutions. If you do not wish to direct your proxy on how to vote please place a mark in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of A-CAP RESOURCES LIMITED (“A-Cap” or “the Company”) in connection with the business to be transacted at a General Meeting of shareholders of A-Cap to be held at Suite 5.09, Level 5, Pacific Tower, 737 Burwood Road, Hawthorn Victoria 3122 on 30 July 2008 at 9am AEST.

It forms part of the accompanying Notice of Meeting (“Notice”) convening the General Meeting and contains an explanation of, and information about, the matters to be considered at the meeting: being the proposed grant of options to Directors on the terms set out in the Notice of Meeting and this Explanatory Memorandum. The Directors recommend shareholders read the accompanying Notice and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

RESOLUTION 1: GRANT OF OPTIONS TO ALL DIRECTORS

Resolution 1 on the Notice provides for the grant of options to directors. This resolution, if passed, will approve the grant to Directors of a total of 4,750,000 options to subscribe for up to 4,750,000 ordinary fully paid shares on the terms set out herein. The options proposed to be issued to directors will be subject to the restrictions set out below.

The grant of options to directors is an issue made with the approval of holders of ordinary securities under listing rule 10.11. The Notice of Meeting must state that if approval is given under listing rule 10.11, approval is not required under listing rule 7.1.

All options to be granted to Directors under Resolution 1 will, if approved for grant, be granted to Directors by no later than 30 August 2008, being not more than one (1) month from the date of the meeting.

It is proposed that upon exercise of the options by the Directors, should the Directors exercise those options, that the funds received upon exercise of the options will be used to fund further exploration on the Company’s tenements.

The grant of options is proposed as a reward to the Directors for their efforts in having taken A-Cap from IPO stage with minimal resources, having raised significant additional capital post IPO and then, by application of those funds and significant effort, having released an Inferred Mineral Resource estimate for the Mokobaesi and Kraken prospects in compliance with the JORC Code.

More importantly it is seen by the Board as an incentive to those directors to continue to remain involved with A-Cap as part of an overall team as it moves forward in its aim to continue exploration of, and development drilling on, both the Mokobaesi and Serule deposits with the objective of establishing additional resources and, hopefully, minable reserves leading to cash flow and profitability.

To achieve such an objective requires not only drilling success but, equally importantly, the establishment and maintenance of a tight, cohesive and competent management team.

Without such a team drilling success will not be able to be converted into commercial success and profitability.

With such a team the achievement of drilling success can be converted into commercial success assuring, insofar as foreseeable, the future of A-Cap.

The grant of these options under Resolution 1 forms a significant platform in creating and maintaining that management team. The terms of the options proposed to be granted provide incentive for the existing members of that team, which includes the present directors, to remain committed to and involved with A-Cap.

As a consequence the Board asks Members to consider and take into account a number of important factors when deciding how to vote on the resolutions being put to the meeting.

These include that:

1. The incentive that the grant of these options to the Directors will provide will significantly cause directors to identify with shareholders in the need to increase shareholder value because the options directly enable the Directors to participate alongside shareholders in the increase in value that the Directors will be responsible in creating. Essentially, to the extent that the Directors, by their actions create wealth, the grant of these options allows them to participate in the fruits of that wealth creation.

2. The terms of the options provide that the Options are not transferable and that, at the time of exercise, the holder must be in the employment of the A-Cap. If for any reason the Director should cease to be in the employ of A-Cap then, if the options have not then been exercised, the options will lapse. It is critically important for Members to recognise that, for the value in the related party benefit constituted by the grant of the Options to be realisable by the optionholder, that the optionholder must be in the employ of the Company or a subsidiary of the Company at the time of exercise of the options and that the options are not transferable.
3. The total percentage of the capital of A-Cap over which options have been granted to directors and management is not, as a percentage of the capital of A-Cap, a high percentage. A-Cap has on issue a total of 110,095,078 shares and currently the directors hold a total of 3,000,000 options to acquire ordinary shares at exercise prices of up to \$0.80. The options granted to existing directors in 2006 (with members' approval in general meeting) were granted as remuneration for services provided. Consequently the directors consider that, having received those options as remuneration, the existence of those options should be ignored by members in consideration of the present proposal. It would be, in your directors' opinion, be singularly inappropriate to take this past remuneration received and paid into consideration when analysing or considering the present proposal.
4. The grant of the options under Resolution 1 will increase Directors option holdings to approximately 6.6 % of the fully diluted capital of A-Cap. This is consistent with the level of options granted to directors of other companies. If the 3,000,000 options previously granted are excluded because they were for remuneration actually earned and paid, then the 4,750,000 options proposed to be granted to directors under Resolution 1 represents less than a 4.02% dilution to their existing shareholdings.
5. While the ascribed value of the options may be considered as significant, that value represents a small percentage of the prospective value of A-Cap and members might consider that a dilution of their interests by a total of 4.02% as a result of the proposed issue is not material when contrasted with the potential upside in value that a dedicated and cohesive management team might create for them: particularly considering that the value being granted to Directors is a non-monetary value which will not diminish A-Cap's cash resources.
6. While the value of the Options may be considered by some Members to be significant, the benefits are of a non-monetary kind and the fundamental value thereof can only be known on exercise as the options will not be transferrable or exercisable unless, at the time of exercise, the allottee is in the employ of A-Cap or a subsidiary. See further below re related party issues.
7. Members should also consider the consequences for A-Cap if any of the individuals concerned should not be available to provide their expertise and experience to A-Cap or if they withdrew from A-Cap.
 - Dr Tunks is in charge of day to day operations and his loss would result in significant dislocation to the A-Cap development program both at Mokobaesi and Serule.
 - Mr Volpe has been responsible for all of A-Cap's capital raisings from the time of its spin out of Cardia Technology Limited till after listing on ASX. Loss of his capacity to raise funds for the Company and loss of his overall management skills would likewise be highly disruptive to A-Cap. Recognising this, a remuneration report obtained from an independent consultant recommended that Mr Volpe be granted an additional one million options to acquire shares in the capital of A-Cap (see below).
 - Mr Stacpoole's knowledge of mining and his experience generally provides the board with knowledge and advice independent from that of Dr Tunks and an ability to monitor management generally;
 - Likewise the recent appointment of Dr Paul Woolrich who has commenced as both a director and consultant with a very wide range of experience of mining and exploration in Africa provides significant weight of commercial experience to the existing management team by virtue of that experience and the backup provided to Dr Tunks and the Board generally.
8. The present issued capital of the Company comprises 110,095,078 fully paid ordinary shares and a total of 3,395,000 options to acquire ordinary shares in the capital of A-Cap at various exercise prices up to \$0.80. Of these options 3,000,000 are held by directors with:
 - Mr P J Volpe holding 1,000,000 options exercisable at \$0.40 up to 30/11/2009 (granted as remuneration)
 - Mr H Stacpoole likewise holding 1,000,000 options exercisable at \$0.40 up to 30/11/2009 (granted as remuneration).
 - Dr A. J Tunks holding:

- 200,000 options exercisable at \$0.45;
 - 500,000 options exercisable at 0.55;
 - 300,000 options exercisable at \$0.80;
- all exercisable up to 30/11/2009 and all granted as remuneration. These options were granted on the bases that they were not exercisable for a specified period from date of grant (now expired), and, effectively, that at the time of exercise Dr Tunks must be in the employ of the Company or a subsidiary of the Company.

Option Valuation

A valuation of the options by DMR Corporate Pty Ltd (“DMR”) as at 12 June 2008 shows that, on a binomial model, the options have different values depending upon the exercise price and based on the following assumptions:

- a share price of \$0.633 (63.3 cents);
- an exercise price as per the table below;
- the options being granted on 13 August 2008 and expiring on 30 June 2011 (1,051 days);
- an interest rate of 7.050% (equal to the risk free rate of Treasury Bond yields with maturities approximating the expiry date of the options);
- a volatility factor of 83% calculated by reference to a comparable group of 38 companies.

Members should understand that the price of the Shares in the Company has changed and will continue to change from the price as at the date when the Board passed the resolution to seek approval for grant of the options (\$0.24 on 14 March 2008) and that by the time of the meeting the market value of the shares and thus the deemed value of the options (using a binomial method of valuation) will inevitably differ from that value shown here. Consequently Members should have regard to the Company’s share price as at the time they determine how they intend to vote.

Using the parameters and assumptions as set out above and in the accompanying report from DMR, the values of the options subject to Resolution 1 are set out in the tables below.

Exercise Price (Cents)	Resultant Option Value (Cents)
30	39.79
40	34.90

The total value of the options proposed to be granted to directors under Resolution 1 is as follows:

Director	Value of Options Exercisable at 30 cents \$	Value of Options Exercisable at 40 cents \$	Total Benefit \$
P. Volpe	397,904	-	397,904
A. Tunks	397,904	261,739	659,643
H. Stacpoole	397,904	-	397,904
P. Woolrich	397,904	-	397,904
Total	1,591,616	261,739	1,853,355

Terms of Options

The proposed terms of grant of options to Mr Patrick John Volpe, Dr Andrew James Tunks, Mr Henry James Stacpoole and Dr Paul Woolrich pursuant to Resolution 1 are as follows:

- Each option entitles the holder to subscribe for 1 ordinary share in A-Cap Resources Limited (ACN 104 028 542) (“the Company”) upon the payment of
 - \$0.30 (30 cents) for those options proposed to be granted with an exercise price of 30 cents; and
 - \$0.40 (40 cents) for those options proposed to be granted with an exercise price of 40 cents.
- The options will lapse at 5.00pm (AEST) on 30 June 2011 (“Expiry Date”).

- (c) The options are not transferable.
- (d) The optionholder must be in the employ of the Company or a subsidiary of the Company at the time of exercise thereof unless his services have been terminated following any takeover of the Company.
- (e) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- (f) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (g) The options shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.
- (h) The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.
- (i) The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

Recent Share trading History

In considering the terms of Resolution 1, members should note the recent trading history of shares in the Company detailed in the report from DMR (Appendix 2). They should also note that the latest recorded sale price for the shares, before the date of this notice was 56 cents and should, before voting in relation to the resolution, have regard to the then price for shares in the capital of the Company.

Set out below is a chart extracted from ASX data base which tracks the share price of the Company against the share price for Paladin Energy Limited which operates the Langer & Heinrich mine in Namibia. Also set out below is a chart showing the Uranium price over a 12 month period.

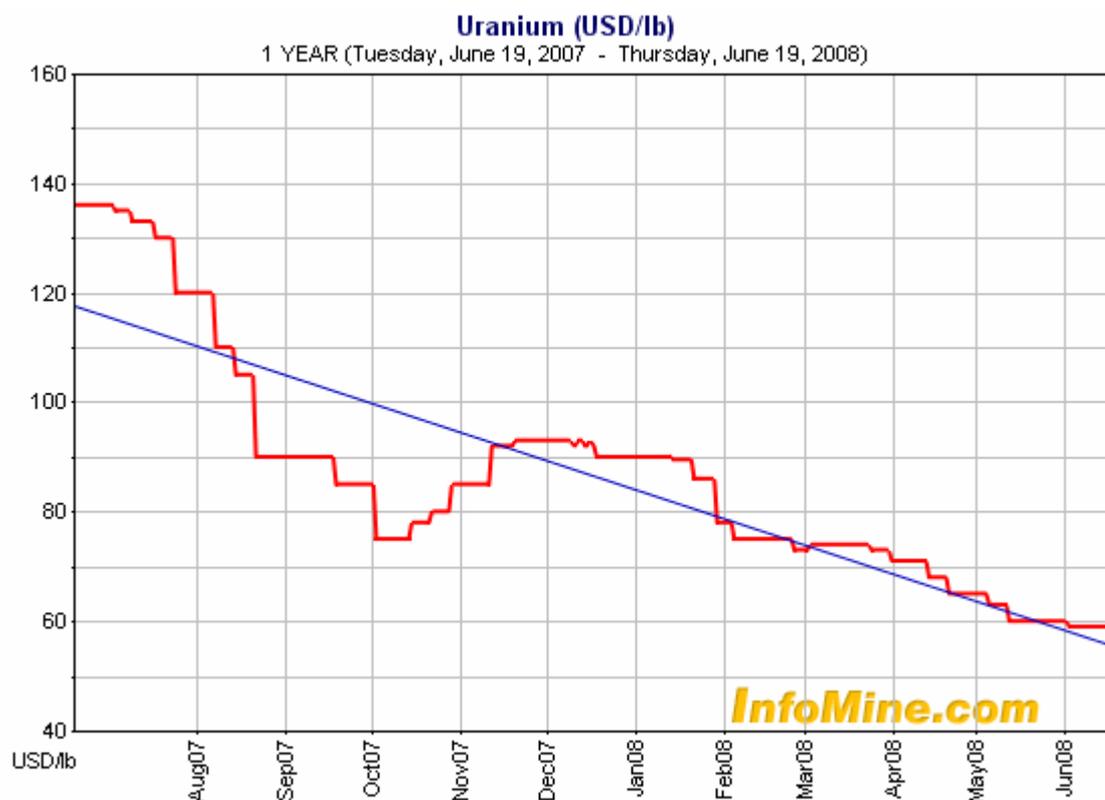
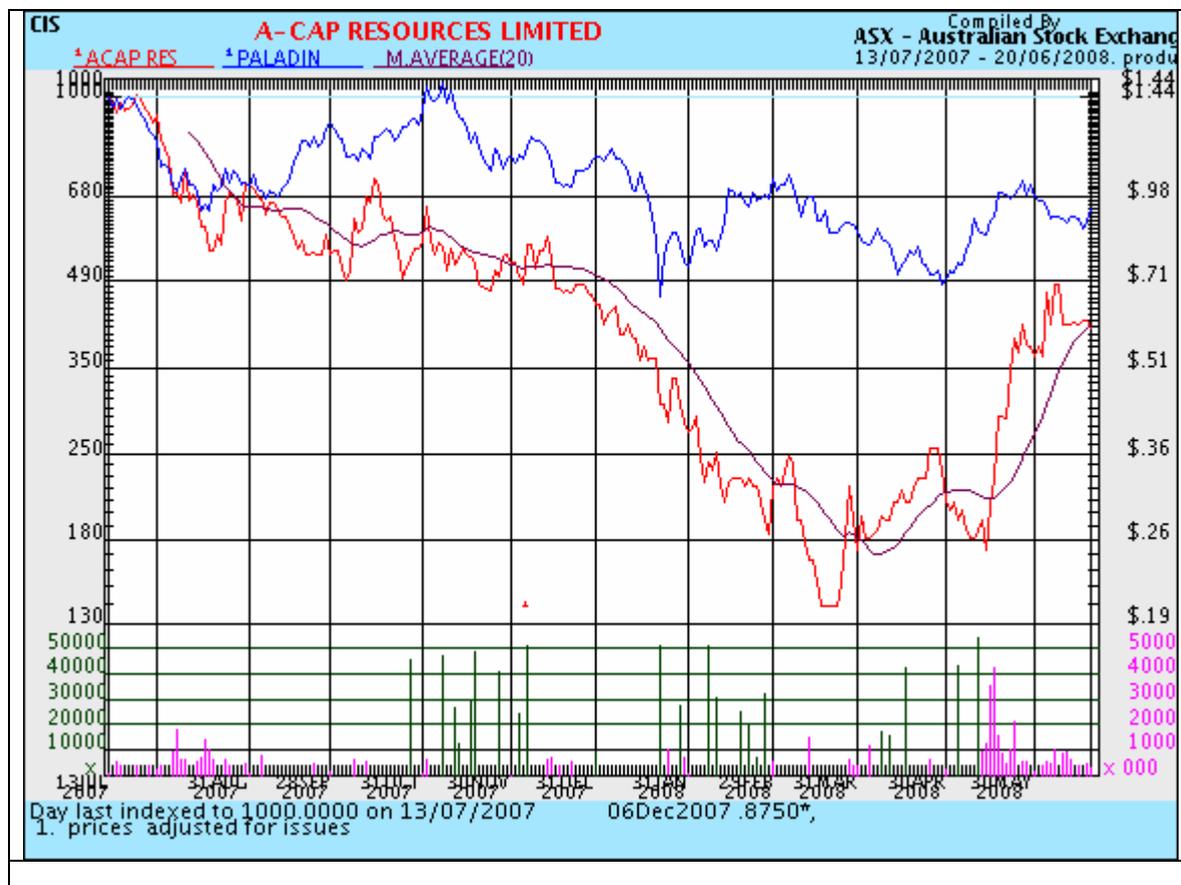
Both charts show a substantial downward trend with both PDN and ACB responding to the downturn in uranium prices: albeit less so with PDN because it is in production. The decrease in the share price for A-Cap is more severe. In the directors' opinions, the reason for this is that it is both a speculative stock which is not in production and because recent volatility in world markets has generally had a more significant effect on exploration companies than producers.

The point being made is that the decrease in the share price of the Company's shares is explicable by reference to a number of factors which are apparent as well as because, in the directors opinion, the increase in the share price of the Company from the IPO issue price of \$0.20 to a maximum price of \$2.53 (on 26 April 2007, in a comparatively short period, gave significant opportunity for profit taking.

Notwithstanding the decline in share price A-Cap continued drilling and, as set out in a release to ASX in December reported an inferred resource of 30 million pounds of U³O⁸ (within the meaning of the JORC Code) in December 2007 as a result of the work of carried out by its management team. Members are referred to the ASX Releases by A-Cap dated 14 December 2008 which contains full details of that inferred resource. Work is still continuing in Botswana to increase that indicated resource and to develop further resources.

It is expected that any future increase in the Company's share price from now will more accurately reflect the performance of the Company and increase in value of its underlying assets that be as a result of high levels of speculation.

The corollary of the above is that the optionholders will likely only achieve significant value from the options proposed to be granted if they cause the Company to achieve that performance and increase in the real value of its assets.



Related Party Requirements of Chapter 2E of the Corporations Act 2001

The requirements of Section 219 of the Act as set out in Chapter 2E thereof require that certain information must be provided to members to enable them to vote in relation to each of the resolutions to be put to the meeting.

Each of the Directors of the Company has an interest in the outcome of Resolution 1 proposed to be passed for the purpose of approving the grant of options to each of the Directors.

The nature of the financial benefits which may be obtained by the Directors as related parties of the Company are that the Directors (or their nominees) will be granted the options which have been valued as set out in the attached report from DMR and which values are summarised above.

However, it is important for Members to recognise that for the value in the related party benefit constituted by the grant of the Options to be realisable by the optionholder, that the optionholder must be in the employ of the Company or a subsidiary of the Company at the time of exercise of the options and that the options are not transferable.

The restrictions mean that, unless the Optionholder exercises an option prior to ceasing to be an employee, the option will lapse on termination of his employment. In the case of directors who are non-executive directors, this means they must remain as directors until the options are exercised or they will lapse. If for any reason a non-executive director ceases to be a director, any unexercised options held by him will lapse on his ceasing to be a director.

The restrictions are an endeavour to ensure that the grantees of the options continue to provide their skills and expertise for the benefit of the Company and remain in the employ of the Company and that the value inherent in the options as assessed does not represent a presently tangible and real benefit to the directors.

To this extent, while the options have value as described by DMR, that value can be considered to be of a different quality and nature from a cash or money payment or an entitlement thereto which can be realised and taken by the employee. It also differs from the value reflected in the grant of shares or options which have no restrictions and which can be disposed of and also be readily converted into money by the employee.

The value inherent in the options cannot be converted into money or money's worth in the hands of the grantees of the options unless they exercise the options and to do that they must pay the Company the Exercise Price of the options exercised and be employed by the Company.

No assurance can be given as to the future performance of the Company or as to future share prices and therefore, because of the restrictions it is not possible to quantify what the ultimate benefit to the employees will be on exercise, if exercised. That amount may well exceed the theoretical value placed on the options by DMR or be significantly less than that amount.

The making of any profit from the exercise of the options in the present circumstances is purely hypothetical although the benefit which is granted gives the potential opportunity for that to occur.

The valuation of the options is an assessment of the likely value inherent in the options on exercise.

Further, members should realise that an option valuation measures the value of the option in question based on a volatility factor. In this case the volatility factor chosen by DMR as applicable was a volatility factor of 83% calculated by reference to a comparable group of 25 companies. The valuation takes into account movements in the share price of that magnitude as part of the value calculation. What is not stated but should be realised is that the volatility of a share can result in the share price decreasing because of that volatility and the factors causing it: as opposed to increasing.

To the extent that the share price might decrease, rather than increase, the value inherent in the options, and which can only be realised on exercise, will also decrease. There are many instances where employee options which are granted are not exercised because of adverse changes in the share price which means it is not economic to exercise the option.

As stated, on exercise the value created in the optionholder will not necessarily equate to the DMR valuation. It will be a reflection of the difference between the share price at the date of exercise and the exercise price and, although that may be significantly greater than the DMR valuation, that value will not crystallise to be of benefit to the optionholder until and unless the options are exercised: because they cannot be transferred as a way of enabling the optionholder to receive any value inherent therein from time to time.

Clearly if the directors were to exercise the options immediately after grant to obtain the benefit of any difference in value of the underlying shares as at the date of grant above the exercise price of the options, the directors would obtain that benefit, but only by immediate outlay of significant moneys. Based on existing share prices any benefit would be comparatively minor. Exercise in the short term is an unlikely scenario as the purpose of granting and acquiring the options is to enable the optionholder to participate in longer term capital appreciation of the underlying assets of the Company as reflected in its share price from time to time.

Therefore, apart from the intangible benefit that may be obtained from grant of the option, the optionholder can only make a profit from exercising the option if and when the value of the company's ordinary shares exceed the exercise price of the option and by then either disposing of the resultant shares so acquired so as to crystallise that profit or by continuing to hold the resulting shares in order to participate in long-term growth in the underlying value of the entity.

Voting Restrictions

A-Cap Resources Limited will disregard any votes cast on the resolution by Mr Volpe, Dr Tunks, Mr Stacpoole and Dr Woolrich or any associate of Mr Volpe, Dr Tunks, Mr Stacpoole and Dr Woolrich. However, A-Cap Resources Limited will not disregard a vote if:

- it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Members should be aware that the acquisition by any person of options does not change voting power. That voting power will only change in accordance with changes in the relevant interests in shareholdings of any member or of those of his associates.

Director's recommendations

The Corporations Act requires in Section 219, inter alia, that, in relation to each director of the company it must be set out herein:

- (a) if the director wanted to make a recommendation to members about the proposed resolution—the recommendation and his or her reasons for it; or
- (b) if not—why not; or
- (c) if the director was not available to consider the proposed resolution—why not.

Accordingly the following information is provided.

Insofar as Resolution 1 relating to the issue of Options to each of the Directors is concerned, each of the directors of the Company abstains from making any recommendation because he is interested in the outcome.

However, the directors believe that the members should consider the matters set out above and the following additional matters in relation to each director when deciding how to vote on the resolution.

In relation to Mr Volpe and grant of Options to him:

- (a) Mr Volpe has been and will continue to be primarily responsible for all financial and capital raising initiatives by the Company and it was primarily through his initiatives that the Company was able to be demerged from the control of Cardia Technologies Limited, listed on NSX, expand its operations significantly, and thereafter raise capital and list on ASX. Future corporate opportunities are likely to result primarily from Mr Volpe's actions and initiatives which are not limited to management of the existing operations and structure but which have, in the past been focussed on expanding opportunities for the Company, and which will continue to be so in the future: unless presently unforeseen circumstances arise.
- (b) The control and management of the company is primarily vested in Mr Volpe from a corporate and financial aspect as opposed to operational point of view: where it is under the overall management and control of Dr Tunks.

- (c) In a report from Wyndham Partners Consulting Services dated 27 April 2007 ('the Report'), after review of other companies and comparative salaries, it was recommended that the combined salary and benefits for package for the executive Chairman of A-Cap for his role in both A-Cap and Botswana Metals Limited ("BML") should be an annual total of \$483,909.60 (which it now is). The portion paid by A-Cap is a base salary of \$213,720 together with additional non-monetary benefits and superannuation to increase the total annual package to \$250,954.80. However it was additionally recommended in that report that

"On review, we would recommend that an additional 1,000,000 vested options be granted to Pat Volpe at an exercise price which is commensurate with the final tranche of options granted to the current CEO/Managing Director, i.e., 80¢ per option with an expiry date being 30th November 2009".

Clearly circumstances have changed substantially since April 2007 in that there has been a substantial decline in the share price (following the very significant increase post initial listing on ASX), which decline is related to world share market conditions and the volatility thereof combined with a significant fall in the price of uranium as shown in the graphs set out above under the heading "**Recent Share trading History**".

While the price of the shares in A-Cap has changed from that as at the date of the Report, it is considered that proposed grant of a further 1,000,000 options to Mr Volpe recognises the sentiment underlying the section of the report quoted above recommending the grant of an additional 1,000,000 options to Mr Volpe: notwithstanding that the exercise price of the options is not \$0.80.

These options (being the present 1,000,000 Options intended to be granted) would not be granted as remuneration but as a reward for past services and as incentive to continue to fulfil responsibilities and remain engaged with A-Cap to assist it to progress from exploration to production while continuing to assist capital raising objectives and maintain an active role in management.

- (d) It should be also be noted that the grant of options to Mr Volpe and each other director is a "one-off" event. At the time of the directors' resolution to seek approval for the grant of the options was passed the proposed exercise price of the options was in excess of the market price of the Shares. As at the date of this Explanatory Memorandum that exercise price is generally in line with the share market price. While the options have been valued at a total of approximately \$397,904 as at 11 June 2008, in Mr Volpe's case the primary significant benefit which Mr Volpe will receive therefrom is if the underlying value of shares in the capital of the Company increases significantly. Whether this will or will not occur will depend in large part on the performance of the directors of the Company in managing the Company and their ability to extract or create value from its assets as referred to above.

In relation to Dr Tunks and grant of Options to him:

- (a) Dr Tunks has been and will continue to be primarily responsible for all day to day operations in relation to the Company's exploration activities in Botswana and is responsible for identification of additional prospective areas and acquisition of tenements over such areas. The expansion and development of resources at Mokobaesi and the establishment of resources elsewhere will depend on his continued active involvement over the foreseeable future. The grant of both tranches of options to Dr Tunks can be seen as creating incentive for Dr Tunks to use his best endeavours to ensure that these operations are carried out effectively and efficiently in the best interests of all shareholders because, although, the options have value per se (as indicated in the valuation and the discussion above under the heading "**Related Party Requirements of Chapter 2E of the Corporations Act 2001**", the greatest potential benefit that will accrue to Dr Tunks is from any increase in the share price flowing from increasing the underlying value of the Company's assets which will likely only occur from a successful exploration program (under his control) which establishes increased resources and, ultimately, (if possible) reserves at Mokobaesi leading to commencement of mining operations.
- (b) In the report from Wyndham Partners Consulting services referred to above, after review of other companies and comparative salaries, it was recommended that the aggregate salary and benefits for the CEO/Managing Director of A-Cap and BML should be \$355,464.00. That is the present annual level of salary and benefits paid to Dr Tunks from A-Cap and BML in aggregate. The present Options are not proposed as remuneration but as an additional incentive.
- (c) It should be also be noted that, in like manner as with the other directors the proposed grant of options to Dr Tunks is a "one-off" event.

In relation to Mr Stacpoole and grant of Options to him:

- (a) Mr Stacpoole is a non-executive director of the Company but brings extensive mining experience to the Board and that experience and involvement and advice is, in the opinion of the other directors, a valuable asset. Details of Mr Stacpoole's remuneration are set out below. Again, the present Options are not proposed as remuneration but as an additional incentive.
- (b) the value inherent in the options in Mr Stacpoole's case is an amount of approximately \$397,904. Mr Stacpoole will receive significant benefit therefrom is if the underlying value of shares in the capital of the Company increases significantly.

In relation to Dr Woolrich and grant of Options to him:

- (a) Dr Woolrich is a non-executive director of the Company but brings extensive mining experience relating to operations in Africa to the Board. Dr Woolrich has extensive contacts and knowledge of mining and exploration within Africa generally and that, allied with his extensive and wide-ranging experience is, again in the opinion of the other directors, a valuable asset of the Company.
- (b) the value inherent in the options in Dr Woolrich's case is an amount of approximately \$397,904. Dr Woolrich is employed as a consultant to provide his advice and expertise as required by the Company in addition to his obligations and duties as a director of the Company. Dr Woolrich will receive significant benefit therefrom is if the underlying value of shares in the capital of the Company increases significantly.

Each member must form his own opinion in relation to the resolution and vote as he or she considers appropriate having regard to the information contained in this explanatory memorandum and the level of benefits already received by each of the Directors from the Company and its subsidiaries as disclosed herein. They should also consider the need to maintain the current team to enable continued progress to be made on the progress of the Company from explorer to possible producer and the concept that it is reasonable that the Directors, who will be responsible for creation of any increased wealth for shareholders, be incentivised to work to create that wealth by being permitted to share in the wealth created by the grant of these options.

RESOLUTION 2: GRANT OF OPTIONS TO DR PAUL WOOLRICH

Resolution 2 on the Notice of Meeting provides for the grant of options to Dr Paul Woolrich. This resolution, if passed, will approve the grant to Dr Woolrich of a total of 1,000,000 options to subscribe for up to 1,000,000 ordinary fully paid shares on the terms set out herein. The options proposed to be issued to Dr Woolrich will be subject to the restrictions set out below.

The grant of options to Dr Woolrich is an issue made with the approval of holders of ordinary securities under listing rule 10.11. The Notice of Meeting must state that if approval is given under listing rule 10.11, approval is not required under listing rule 7.1.

All options to be granted to Dr Woolrich will, if approved for grant, be granted to Dr Woolrich by no later than 30 August 2008, being not more than one (1) month from the date of the meeting.

It is proposed that upon exercise of the options by the Dr Woolrich, should the Dr Woolrich exercise those options, that the funds received upon exercise of the options will be used to fund further exploration on the Company's tenements.

The grant of options is proposed as additional remuneration to reward to Dr Woolrich for his efforts and as an incentive to continue those efforts with the aim of significantly enhancing the future value of the Company for the overall benefit of members.

Option Valuation

A valuation of the options shows that, on a binomial model, the options have different values depending upon the exercise price and based on the following assumptions:

- (a) a share price of \$0.633 (63.3 cents);
- (b) an exercise price as per the table below;
- (c) the options being granted on 13 August 2008 and expiring on 29 November 2009 (473 days);

- (d) an interest rate of 7.255% (equal to the risk free rate of Treasury Bond yields with maturities approximating the expiry date of the options);
- (e) a volatility factor of 83% calculated by reference to a comparable group of 25 companies.

Members should understand that the price of the Shares in the Company have changed and will continue to change from the price as at the date when the Board passed the resolution to seek approval for grant of the options (\$0.69 on 18 December 2007) and that by the time of the meeting the market value of the shares and thus the deemed value of the options (using a binomial method of valuation) will inevitably differ from that value shown here. Consequently Members should have regard to the Company's share price as at the time they determine how to vote.

Using the parameters and assumptions as set out above, the value of the options is set out in the tables below.

Exercise Price (Cents)	Resultant Option Value (Cents)
55.2	25.13

The total value of options to be issued to Dr Woolrich is \$251,252.

The above options were agreed to be issued subject to the following terms and conditions;

- The Options were to be exercisable at eighty percent (80%) of market price at the time of agreement to grant them. The resultant exercise price is \$0.552 (55.2 cents);
- The Options are not exercisable before 16 November 2008 with the grantee required to be in the employ of the Company at the time of exercise;
- The Expiry date of the Options is 29 November 2009; and
- Should the employee's services cease or be terminated (other than by reason of takeover or change of management resulting from a takeover) all rights to un-exercised options were to be relinquished.

Terms of Options

The terms of the agreement reflected above mean that the terms of grant of the options proposed to be granted to Dr Paul Woolrich will be as follows:

- (a) Each option entitles the holder to subscribe for 1 ordinary share in A-Cap Resources Limited (ACN 104 028 542) ("the Company") upon the payment of \$0.552 (55.2 cents).
- (b) The options will lapse at 5.00pm (AEST) on 29 November 2009 ("Expiry Date").
- (c) The options are not transferable.
- (d) The options are not exercisable before 16 November 2008.
- (e) The optionholder must be in the employ of the Company or Subsidiary of the Company at the time of exercise thereof unless his services have been terminated following any takeover of the Company.
- (f) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- (g) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (h) The options shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder accompanied by an Option Certificate or Holding Statement and a cheque made payable to the Company for the subscription monies for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by

the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.

- (i) The Company shall allot the resultant shares and deliver a statement of shareholdings with a Holders' Identification Number within 5 business days of exercise of the options.
- (j) The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

Related Party Requirements of Chapter 2E of the Corporations Act 2001

While the directors consider that the benefit to Dr Woolrich is reasonable as remuneration as a term of his engagement as a director and consultant by the Company and, as such, falls within the exception to the related party provisions of the Corporations Act by virtue of the provisions of Section 211 of the Corporations Act such that members' approval is not required under the provisions of Chapter 2E, the resolution to approve the grant thereof to Dr Woolrich is being put to members for approval and, to assist members to consider how to vote on the resolution, they are being provided with the information under Chapter 2E which would have been required by Section 219 of the Act if the directors had not formed the view that the benefits were reasonable. That information is as follows:

- (a) Dr Woolrich has an interest in the outcome of the resolution proposed to be passed for the purpose of approving the grant of options to Dr Woolrich.
- (b) the nature of the financial benefits which may be obtained by the related parties, are that the related parties will be granted the options which have been valued as set out in the report from DMR and which values are summarised above. Members are referred to the discussion about the value of the options and the capacity of the optionholder to make a profit therefrom in relation to resolution 1 above under the heading "*Related Party Requirements of Chapter 2E of the Corporations Act 2001*". Much the same considerations apply here save that there is no ability to exercise the options (to enable a profit to be crystallised) until after 16 November 2008 which reduces the scope of Dr Woolrich's opportunity to do so. A further difference is that, if the Company is taken over, and following that takeover, Dr Woolrich's services are terminated, the requirement that he be an employee at the time of exercise will not apply. In this circumstance his ability to make a profit will be greater than the opportunity available to other directors in relation to the options granted under resolution 1 above because, in a like circumstance, they must be employees at the date of exercise.

No assurance can be given as to the future performance of the Company or as to future share prices. The making of any profit from the exercise of the options in the present circumstances is purely hypothetical although the benefit which is granted gives Dr Woolrich an opportunity for that to occur.

Voting Restrictions

A-Cap Resources Limited will disregard any votes cast on the resolution by Dr Woolrich or any associate of Dr Woolrich. However, A-Cap Resources Limited will not disregard a vote if:

- it is cast by any such person or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Power

Members should be aware that the acquisition by any person of options does not change voting power. That voting power will only change in accordance with changes in the relevant interests in shareholdings of any member or of those of his associates.

Director's recommendations

The Corporations Act requires in Section 219, inter alia, that in relation to each director of the company it must be set out herein:

- (a) if the director wanted to make a recommendation to members about the proposed resolution—the recommendation and his or her reasons for it; or

- (b) if not—why not; or
- (c) if the director was not available to consider the proposed resolution—why not.

Accordingly the following information is provided.

Insofar as Resolution 2 relating to the issue of Options to Dr Woolrich is concerned, Dr Woolrich abstains from making any recommendation because he is interested in the outcome of the resolution.

However, the Directors believe that the members should consider the following matters when deciding how to vote on the resolution.

- (i) each of the directors of the Company other than Dr Woolrich, who abstains from making any recommendation because he is interested in the outcome, considers that the grant of the options to Dr Woolrich is fair and reasonable having regard to his responsibilities and role in the Company. Dr Woolrich is a non-executive director of the Company but brings extensive mining experience relating to operations in Africa to the Board. Dr Woolrich has extensive contacts and knowledge of mining and exploration within Africa generally and that, allied with his extensive and wide-ranging experience is, again in the opinion of the other directors, a valuable asset. These options were agreed to be granted as a term of his employment as a consultant and appointment as a director so that his expertise could be made available to the Company. Had the directors considered the grant of the options or their terms to be inappropriate they would not have appointed him. Likewise had the options not been agreed to be granted on those terms Dr Woolrich would not likely have accepted such appointment.
- (ii) The terms of the options proposed to be granted should be noted and the value inherent in the options is an amount of approximately \$43,600). Dr Woolrich will receive significant benefits therefrom if the underlying value of shares in the capital of the Company increases significantly. Members are referred to the general discussion on the options and the value thereof as set out above in the discussion relating to resolution 1 under the heading “*Related Party Requirements of Chapter 2E of the Corporations Act 2001*”.
- (iii) Again, each of the directors other than Dr Woolrich recommends to members that they vote in favour of the resolution for the reasons stated above: but likewise say that each member must form his own opinion in relation to the resolution and vote as he or she considers appropriate having regard to the information contained in this explanatory memorandum and the level of benefits already received by Dr Woolrich from the Company and its subsidiaries as disclosed herein.

DIRECTORS REMUNERATION

For the information of Members, the following information is provided in relation to director’s remuneration. The Directors are remunerated on an annual basis and details thereof for the financial period ended 30 June 2007 and the 9 month period ended 31 March 2008 are as set out in the table below (including superannuation contributions).

DIRECTORS REMUNERATION: YEAR ENDED 30 JUNE 2007			
Name of Director	Base Salary or Director’s Fees	Super-annuation	Non Cash Benefits
	\$	\$	\$
P Volpe	232,083	20,250	-
A Tunks	105,505	8,973	-
H Stacpoole	55,833	4,500	-
P Woolrich	-	-	-

DIRECTORS REMUNERATION: 1 JULY 2007 TO 31 MAY 2008			
Name of Director	Base Salary or Director’s Fees	Super-annuation	Non Cash Benefits
	\$	\$	\$
P Volpe	195,910	17,632	-
A Tunks	141,900	12,771	-
H Stacpoole	45,834	4,125	-
P Woolrich	22,917	-	-

ADDITIONAL INFORMATION

The Directors are not aware of any other information that:

- (a) is reasonably required by members in order to decide whether or not it is in the Company's interests to pass each of the proposed resolution; and,
- (b) is known to the Company or to any of its director;

that has not previously been disclosed either direct to members or generally to the market in accordance with the Company's continuing disclosure obligations under the Listing Rules of ASX.

DMR CORPORATE

DMR

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12 June 2008

The Directors
A-Cap Resources Limited
Suite 5.10, Level 5
737 Burwood Road
Hawthorn VIC 3122

Dear Sirs,

Valuation of Options

1. Introduction

1.1 We have been requested by Mr. Richard Baker, Company Secretary of A-Cap Resources Limited ("A-Cap" or "the Company"), to advise A-Cap in respect of the fair value of the following tranches of options which are proposed to be issued to the A-Cap directors:

Director	Options exercisable at 30 cents	Options exercisable at 40 cents
Patrick Volpe	1,000,000	-
Andrew Tunks	1,000,000	750,000
Harry Stacpoole	1,000,000	-
Paul Woolrich	1,000,000	-
Total	<u>4,000,000</u>	<u>750,000</u>

- These options vest on the date of issue;
- These options are not transferable;
- These options are granted for no monetary consideration; and
- These options have been valued as at the proposed issue date of 30 July 2008.

1.2 We have also been requested to advise A-Cap in respect of the fair value of an additional 1,000,000 options which are proposed to be issued to A-Cap director Dr. Paul Woolrich.

- These options have an exercise price of 55.2 cents, being 80% of the closing price on the date of Dr. Woolrich joining the company as director (18 December 2007);
- These options vest on 16 November 2008;
- These options are not transferable;
- These options are granted for no monetary consideration; and
- These options have been valued as at the proposed issue date of 30 July 2008.

2. Valuation Methodology

2.1 Options are generally valued using one of a number of option pricing models. The Black-Scholes-Merton option pricing model assumes that the options will be exercised on the day immediately prior to their expiry date. This assumption is realistic if there are no dividends being paid during the life of the options or if the terms of the options do not allow for the possibility of an early exercise. The Black-Scholes-Merton model gives the maximum value to outstanding options and we do not consider this model to be applicable to the valuation of the above options.

2.2 We have reviewed the terms of the options that are proposed to be issued to the A-Cap directors and based on this review we have concluded that there is a reasonable probability that the options will be exercised before their expiry date. Our principal reason for this view is the lack of transferability of the options and their illiquidity. Our view is supported by empirical evidence that employee and director options are often exercised well before their expiry date. For this reason we have valued the options using a binomial model, which has been tailored specifically for use in valuing employee options.

2.3 It should be noted that pursuant to accounting standard AASB2 Share-based Payment, options issued to employees (and directors) must be valued at the date they are issued and expensed over the life of the options. This valuation cannot be prepared prior to the date of issue as one of the key variables in the model is the share price at the date of issue. We have used a binomial model and the share price as at 11 June 2008 to ascertain an approximate value of the options being issued, however the options may need to be revalued after the date of issue to determine the value to be expensed in the accounts.

2.4 The model used determines the value of an option as a function of the following variables:

- 1) the current share price of the underlying shares
- 2) exercise price of the option
- 3) volatility of the share price
- 4) vesting conditions
- 5) time to maturity – expiry date
- 6) risk free rate of interest
- 7) expected dividend yield
- 8) an exercise price multiple

3. Assumptions

The assumptions that we have selected in applying the binomial model to the option valuations are set out below.

3.1 The Share Price of the Underlying Shares

A-Cap is a limited liability company incorporated in Australia and its securities are listed on the Australian Securities Exchange (“ASX”).

The volume weighted average share price (based on closing daily prices) for the 30-day period ended 11 June 2008 was \$0.428 on a volume of 20,876,130 shares.

Since the 6 May 2008 the share price has varied from a low of \$0.245 to a high of \$0.72 and during this period several price sensitive announcements have been made. The latest price sensitive announcement was made on 5 June 2008, before trading commenced on that date. This announcement was titled 'Letlhakane exploration update' and the VWAP of the shares since that announcement was \$0.633 based on a volume of 3,135,931 shares.

Based on the above share price information, we consider that \$0.633 represents the current market value of A-Cap shares as at 11 June 2008.

3.2 The Exercise Price of the Options

The exercise prices of the options are \$0.30, \$0.40 or \$0.552 as set out in Section 1 above.

3.3 The Volatility of the Share Price

The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally it is possible to predict future volatility of a stock by reference to its historical volatility.

A share with a greater volatility has a greater time value component of the total option value.

The historical volatility information for Australian listed companies can be sourced from the Australian Graduate School of Management – Centre for Research in Finance Risk ("CRIF") Measurement Service statistics. After examining the volatility experienced by shares in a comparable group of 25 companies we have concluded that a share price volatility of 83% is appropriate when valuing A-Cap options.

3.4 Time to Maturity and Vesting Conditions

The options with exercise prices of 30 and 40 cents have an expiry date of 30 June 2011 and the options with the 55.2 cent exercise price have an expiry date of 29 November 2009.

All of the options vest on the issue date with the exception of the 1,000,000 options exercisable at \$0.552 each issued to Dr. Woolrich, which vest on 16 November 2008. These options are conditional on the director being in the employ of the Company on the date of exercise.

3.5 Risk Free Interest Rate

In valuing the options, we have used a risk free rate of 7.255% for the options expiring on 29 November 2009 and 7.050% for the options expiring on 30 June 2011. These rates are based on Treasury Bond yields with maturities approximating the expiry date of the options.

3.6 Dividends

A-Cap does not have a track record of paying regular half yearly or annual dividends so we have assumed that no dividends will be paid.

3.7 Exercise Price Multiple

As stated in Section 2.2, employee options are often exercised prior to their expiry date. A-Cap does not have a history that we could use to predict the likely exercise date.

In the absence of a specific history for A-Cap we have assumed that:

- (a) the options issued with the 30 cent exercise price may be exercised if the market price of A-Cap shares reaches a multiple of 3.0 times the exercise price. This gives an effective life to these options of 1.27 years.
- (b) the options issued with the 40 cent exercise price may be exercised if the market price of A-Cap shares reaches a multiple of 2.5 times the exercise price. This gives an effective life to these options of 1.54 years.
- (c) the options issued with the 55.2 cent exercise price may be exercised if the market price of A-Cap shares reaches a multiple of 2 times the exercise price. This gives an effective life to these options of 1.017 years.

4. Valuation

4.1 Based on the assumptions set out in Section 3 above we have calculated the value of the options as at 30 July 2008 to be:

Director	Options Exercisable at 30 cents	Options Exercisable at 40 cents	Options Exercisable at 55.2 cents	Valuation \$
Patrick Volpe	1,000,000	-		397,904
Andrew Tunks	1,000,000	-		397,904
Andrew Tunks	-	750,000		261,739
Harry Stacpoole	1,000,000	-		397,904
Paul Woolrich	1,000,000	-		397,904
Total	<u>4,000,000</u>	<u>750,000</u>		<u>\$1,853,355</u>
Paul Woolrich			1,000,000	<u>\$251,252</u>

4.2 By way of a cross check we have calculated the value of the options by excluding the assumption set out in Section 3.7 above and assuming that they would be exercised at their expiry date. This calculation reveals the maximum value of the options using the Black-Scholes Option valuation method. The result is:

Director	Options Exercisable at 30 cents	Options Exercisable at 40 cents	Options Exercisable at 55.2 cents	Valuation \$
Patrick Volpe	1,000,000	-		458,829
Andrew Tunks	1,000,000	-		458,829
Andrew Tunks	-	750,000		317,147
Harry Stacpoole	1,000,000	-		458,829
Paul Woolrich	1,000,000	-		458,829
Total	<u>4,000,000</u>	<u>750,000</u>		<u>\$2,152,463</u>
Paul Woolrich			1,000,000	<u>\$278,301</u>

4.3 Having considered all of the factors outlined in this report, including the above cross check, we have concluded that the options should be valued using the values set out in the table in Section 4.1 above.

Yours faithfully

DMR Corporate Pty Ltd



Derek Ryan
Director and Authorised Representative