

A-CAP RESOURCES LIMITED

(ACB: ASX, A\$0.44)

Recommendation

Changed to: Speculative Buy

Risk

High

Target Price

A\$0.75 (Lowered)

Price (January 29, 2008)

A\$0.44

52-Week Range

A\$2.53 - A\$0.35

% Below High

83%

% Above Low

23%

Shares O/S

110.1 million

Market Cap

A\$48.4 million

Average Daily Volume

208,400

Year-End

June 30

A\$	BVPS	EPS
2004	\$0.01	\$(0.003)
2005	\$0.00	\$(0.004)
2006	\$0.06	\$(0.57)
2007	\$0.17	\$(2.46)

BVPS: Book Value Per Share

EPS: Earnings Per Share

Analysts

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Data Source: www.BigCharts.com

UPDATE

We have reassessed A-Cap Resources Limited (“A-Cap” or the “Company”) in light of: (a) the recent initial mineral resource estimate for the Mokobaesi and Kraken uranium prospects at the flagship Letlhakane project; and (b) the recent demerger of Botswana Metals Limited (“Botswana Metals”). Now a pure-play uranium company, A-Cap’s shares should garner increased investor attention once again.

RECOMMENDATION

With the completion of an initial JORC-compliant resource estimate at Letlhakane and metallurgical studies underway to form part of a scoping study to begin in the first quarter of 2008, A-Cap shares are poised to move higher on favourable news if market fundamentals for uranium continue to be positive. We recommend the shares of A-Cap Resources as a “Speculative Buy” for risk-tolerant investors, with a one-year Target Price of A\$0.75 per share. For further upside potential, should A-Cap complete a positive scoping study and improve the grade of its resource, A-Cap’s shares could reach A\$1.20 (see “Valuation Conclusion”, page 6.)

PROFILE

A-Cap Resources Limited is an Australian junior mineral exploration company, primarily focused on projects in Botswana. A-Cap is now a pure-play uranium company, focused on developing its Letlhakane project while aggressively exploring other uranium prospects in Botswana.

HIGHLIGHTS

- Pure-play uranium company.
- Delineation of 20.1 million pounds of U_3O_8 at the Mokobaesi and Kraken prospects is major milestone.
- Large portfolio of uranium prospects in under-explored and mining-friendly Botswana.
- If economically viable deposit is delineated, A-Cap stands to profit from expected high global uranium demand.
- Potential for adding resources within the Letlhakane project.

RATINGS HISTORY

The following table shows the extent of the eResearch research material on the Company:

Date	Type	Recommendation	Stock Price	Target Price
December 11, 2006	Initiating	Speculative Buy	A\$0.78	A\$1.10
February 26, 2007	Commentary	No Change	A\$1.35	A\$1.65
May 24, 2007	Update	Reduce/Sell	A\$2.10	A\$1.80
January 29, 2008	Commentary	Speculative Buy	\$0.44	A\$0.75

High-Low Since Initiating: A\$2.53 - A\$0.35

THE COMPANY

A-Cap's three main projects in Botswana are as follows:

1. The Letlhakane project (containing the Mokobaesi, Kraken and Gorgon uranium prospects);
2. The Maibele North nickel-copper prospect; and
3. The Jim's Luck gold prospect.

The Company also has an exploration permit in China and a carried interest in holdings in Australia.

Following the demerger of Botswana Metals Limited (the shares recently began trading on the ASX under the symbol "BML"), A-Cap is now a pure-play uranium company focused on developing the Letlhakane project while aggressively exploring its other tenements prospective for uranium in Botswana.

RECENT DEVELOPMENTS

On January 16, A-Cap reported that initial metallurgical results on ore from Letlhakane are expected in March and that preliminary results on project economics are expected by June.

On January 18, Botswana Metals Limited was spun off from A-Cap Resources and began trading separately on the ASX.

On December 14, 2007, A-Cap announced an initial JORC-compliant mineral resource estimate for the Mokobaesi and Kraken prospects at the Letlhakane project. At a 100 ppm U₃O₈ cut-off grade, inferred mineral resources are estimated at 20.1 million pounds U₃O₈ contained within 65 million tonnes grading 140 ppm U₃O₈. The estimate, calculated to a depth of about 45 metres over an area of approximately 3 km N-S by 6 km E-W, was based on data from 1,148 reverse circulation and four diamond holes drilled by A-Cap during 2006-2007. Metallurgical studies on the various ore types are underway, and a scoping study is planned for early 2008.

COMMENT: *The delineation of 20.1 million pounds U_3O_8 at Mokobaesi and Kraken is a major milestone for A-Cap. The quoted grade of the inferred resource (140 ppm), however, is quite low compared to the grades of all the uranium deposits from our peer group of uranium explorers, with the exception of the Valencia project (see “Valuation, 1: Peer Comparison” and Table 1: “Enterprise Value per Pound of U_3O_8 ”). As A-Cap provided resource estimates at a range of cut-off grades, instead of discounting the quoted number of pounds to reflect the low-grade nature of the deposit, our valuation uses the resources at a higher cut-off grade (150 ppm U_3O_8), which corresponds to an inferred resource of 18 million tonnes grading 190 ppm U_3O_8 for approximately 7.54 million contained pounds U_3O_8 . Though on the low end, this grade (190 ppm) is more in line with the grades of most of the other deposits (i.e., approximately 200-400 ppm).*

COMMENT: *Mining methods and processing options, to be determined as part of the scoping study scheduled to commence in the first quarter of 2008, will ultimately determine an appropriate cut-off grade should an economically viable deposit eventually be delineated on the Letlhakane project.*

COMMENT: *The initial inferred resource estimate at Mokobaesi and Kraken covers only a small area within a much larger radiometric anomaly. Moreover, regional diamond drilling confirmed the presence of uranium mineralization up to 10 km from the boundary of the current inferred resource. Both these points suggest the potential for additional resources within the Letlhakane project.*

COMMENT: *The resource estimate for the Mokobaesi and Kraken prospects was based on data that included chemical assays for 8,760 one-metre samples as well as radiometric logging data for most holes. It was reported, however, that a comparison between the two methods showed a bias in the probe data, and that probe results were therefore multiplied by 0.74 and 0.84 for results in 2006 (Geotron Probe) and 2007 (Auslog Probe), respectively.*

VALUATION

1. Peer Comparison

Since our Update Report dated May 24, 2007, our peer group of uranium explorers with resources (historical or JORC-compliant) in Africa has undergone a major overhaul due to industry consolidation, with French nuclear giant Areva buying resource-rich UraMin Inc., Mega Uranium Ltd. completing the purchase of Nu Energy Uranium Corp., and Denison Mines Corp. finally acquiring OmegaCorp Limited after OmegaCorp's deal with Central African Mining and Exploration Company Plc (CAMEC) fell through.

A-Cap's peer group (see Table 1: “Enterprise Value per Pound U_3O_8 ” page 7) now comprises six companies and includes four ASX-listed companies that have delineated JORC-compliant resources within the last year. Evaluating A-Cap against this fresh peer group by using the same valuation strategy as set out in our Initiating Report of December 11, 2006, we calculate that the average enterprise value per pound U_3O_8 for companies exploring for uranium in Africa, excluding Xemplar Energy, is presently A\$9.56. At A\$5.36, A-Cap's enterprise value per pound U_3O_8 , assuming 7.54 million contained pounds U_3O_8 for the Letlhakane project, suggests that the project is undervalued compared to those of its peers. Using the peer group average to determine A-Cap's share price based on 7.54 million pounds U_3O_8 , this translates to approximately A\$0.655 per A-Cap share.

Our analysis is shown with the accompanying notes on Table 1, page 7.

COMMENT: We excluded Xemplar from the calculation of the peer group average as its enterprise value per pound U_3O_8 (A\$166.36), based predominantly on historical resources at Engo Valley, is disproportionately high and its inclusion would more than triple the value of a pound of U_3O_8 (to A\$35.70) and hence significantly inflate A-Cap's share price. Since our Initiating Report, Xemplar's enterprise value per pound U_3O_8 has been progressively diverging from those of individual companies in both our original and new peer group due to its extremely strong share performance in light of the possibility that Xemplar has indeed found a huge uranium deposit at its Warmbad prospect in Namibia. As there are no reported historical resources for the Warmbad property, we are unable to assign a value to the project. Moreover, if we use the "estimated potential" of approximately 12 million pounds reported for Engo Valley instead of the historical resource of 4.26 million pounds, Xemplar's enterprise value per pound U_3O_8 would still be markedly elevated (A\$60.76) even without Warmbad, and would almost double the average enterprise value per pound U_3O_8 of the peer group and, consequently, A-Cap's share price. Importantly, the current enterprise values for the remaining members of the peer group range from A\$6.45 to A\$19.00, with four of the five companies in a narrow range (A\$6.45 to A\$7.98).

2. Market Analysis

In our second valuation method, we calculate a value for A-Cap's shares in line with what the market has recently been paying for a pound of U_3O_8 in Africa.

(a) Areva-UraMin

In August 2007, Areva, through its indirect wholly-owned subsidiary CFMM Développement, completed the acquisition of UraMin in a deal valued at over US\$2.5 billion based on a cash offer of US\$7.75 per share and approximately 324.29 million shares issued and outstanding on a fully-diluted basis. This valued UraMin's assets – a resource base of about 178 million pounds U_3O_8 , consisting dominantly of JORC-compliant resources in Namibia (Trekopje) and the Central African Republic (Bakouma) as well as significant historical resources in South Africa (Ryst Kuil and Ryst Kuil Channel) and Senegal (Saraya East) – at roughly A\$16.80 (US\$14.10) per pound U_3O_8 at then prevailing prices. This would imply an intrinsic value of about A\$1.151 per A-Cap share (A\$1.114 fully diluted).

(b) Denison Mines-OmegaCorp

In a first takeover attempt that closed April 13, 2007, Denison acquired a 33% interest in OmegaCorp for A\$1.15 per share. On June 25, 2007, Denison announced a second takeover bid for OmegaCorp and offered A\$1.30 per share for each of the remaining shares, completing the acquisition in September. The second offer valued OmegaCorp's assets, comprising predominantly the inferred resources on their Kariba project in Zambia, at almost A\$14.70 per pound U_3O_8 , which would imply an intrinsic value of A\$1.007 per A-Cap share (A\$0.975 fully diluted).

(c) Mega Uranium-NU Energy

On August 14, 2007, Mega Uranium closed the acquisition of NU Energy which has a 92% interest in the Kitongo and Lolodorf uranium properties in Cameroon. Consideration was two common shares of Mega for every three common shares of NU Energy, which equated to C\$5.49 per NU Energy share based on the volume-weighted average trading price of Mega's shares on the TSX for the 10-day period ended April 26, 2007. Assuming the exercise of all stock options and warrants of NU Energy outstanding at the time of the offer, NU Energy's assets were valued at about A\$9.42 (Can\$8.73) per pound U_3O_8 , which implies an intrinsic value of A\$0.645 per A-Cap share (A\$0.625 fully diluted).

COMMENT: *The range in enterprise value per pound U₃O₈ is likely a reflection of the different stages of development of the assets acquired. UraMin had an extensive portfolio of uranium projects in a handful of African countries, with a large resource base that includes JORC-compliant resources at the company's flagship Trekkopje project where results of a feasibility study are expected shortly, as well as significant historical resources. In contrast, exploration had just scratched the surface at NU Energy's prospects in Cameroon, where results of a recently completed high-resolution, airborne magnetic-radiometric survey had identified numerous radiometric anomalies and initial ground follow-up was underway. OmegaCorp's Kariba project lies in between, with a scoping study based on JORC-compliant resources completed and a pre-feasibility study underway. With the completion of an initial resource statement and a scoping study scheduled to commence in early 2008, A-Cap's Mokobaesi and Kraken prospects are clearly at a more advanced stage than NU Energy's projects but not yet at the level of OmegaCorp's Kariba project. Taking this into account, and recognizing that exploration has advanced significantly at A-Cap's Letlhakane project since our Update Report, we give three times as much weight to the Denison Mines-OmegaCorp market transaction than to the Mega Uranium-NU Energy transaction to derive our comparable market transaction value of A\$13.38 per pound U₃O₈. Assuming 7.54 million contained pounds U₃O₈ for the Letlhakane project, this results in an intrinsic value of about A\$0.916 per A-Cap share (A\$0.887 fully diluted).*

3. Investment Considerations

(a) Overview

After tumbling from a high of almost US\$140 per pound at the end of June 2007 to around US\$75 in October, the spot price of U₃O₈ rebounded to US\$93 per pound mid-November and currently sits at US\$86 per pound.

It is hard to ignore the positive fundamentals for uranium. There are 33 new nuclear reactors under construction (World Nuclear Association - October 17, 2007), predominantly in China, India and Russia, at a time when the world is turning to cheap, clean and environmentally-friendly alternatives to fossil fuels amidst concern over global warming. With secondary sources dwindling and current mine production unable to meet the expected increase in demand, exploration is expected to result in the discovery of economically viable deposits. After languishing for two decades or so, exploration is in full swing throughout the world and with some success (e.g., Paladin Resources' Langer Heinrich mine in Namibia).

In Africa, several companies have delineated initial (inferred) resources over the past year. These include African Energy Resources, Bannerman Resources, Deep Yellow, OmegaCorp (now Denison Mines), UraMin (now Areva), West Australian Metals and, most recently, A-Cap. This is in addition to Forsys Metals' Valencia project, also in Namibia, which hosts mineable reserves.

Should A-Cap succeed in delineating an economically viable deposit, it stands to profit from the demand for uranium that is expected over the short-to-medium term. However, as with all deposits, the key is "economically viable", and economics is invariably linked to grade.

(b) Strengths

- The demerger leaves A-Cap as a "pure play" uranium company, which will allow it to further develop its Letlhakane project while aggressively exploring its other tenements prospective for uranium.
- Large portfolio of tenements prospective for uranium in an under-explored and "mining-friendly" country - Botswana.

- Initial inferred resource estimate at the Mokobaesi and Kraken prospects at Letlhakane has room to grow.
- Strong and continuing uranium industry fundamentals.

(c) Risks/Challenges

- Low grade of initial inferred resource estimate.
- Stock-price volatility and loss of investor interest.
- Geopolitical, commodity and exploration risks.
- Possibility that uranium sector companies do not experience the rebound seen by the uranium spot price.

COMMENT: *A-Cap's shares have returned to their pre-drilling days. Following the demerger of Botswana Metals, new and favourable corporate news is imperative to sustain investor interest and maintain a buoyant share price. Continuing investor interest in the shares will likely depend upon market fundamentals for uranium remaining strong and A-Cap delivering encouraging news from its other uranium projects. Further investor attention could come if A-Cap considerably expands its resource base at Letlhakane and/or improves the grade of the deposit and completes a favourable scoping study.*

4. Valuation Conclusion

The peer group comparison method results in a lower valuation than that of current market transactions. This suggests that, after the sharp decline in the spot price of uranium that began at the end of June 2007, companies in the peer group (except possibly Xemplar) are no longer trading at a premium that was at least partially attributable to the general euphoria over uranium-focused exploration companies as well as the ballooning uranium spot price. In addition, the exercise of current market transactions dates to transactions that were initiated (and completed) when the spot price of uranium was closer to its peak (i.e., over five months ago).

Consequently, considering the narrow range of enterprise values per pound U_3O_8 for our peer group companies (excluding Xemplar), with four of the five companies having values between A\$6.45 and A\$7.98, and cognizant that current market transactions were likely based on a significantly higher U_3O_8 spot price than the current US\$86.00 per pound, we are giving twice as much weight to the peer group valuation (A\$0.655 per A-Cap share) than to the market transaction methodology (A\$0.916 per share) in calculating our Target Price (see Table 2: "Valuation Synthesis" page 8). This results in an intrinsic value of approximately A\$0.742 per share and supports our change in Recommendation from Reduce/Sell to Speculative Buy.

We recommend the shares of A-Cap Resources as a "Speculative Buy" for risk-tolerant investors and have assigned a revised one-year Target Price of A\$0.75 per share. Assuming completion of a positive scoping study by A-Cap and an improvement in grade for its resource, the Company's shares may approach a value more in line with OmegaCorp's Kariba project and Bannerman's Goanikontes Anomaly "A" project, both of which have JORC-compliant inferred resources and a positive scoping study.

By giving twice as much weight to the peer group valuation (A\$19.00 per pound U_3O_8) than to the market transaction methodology (A\$14.70 per pound U_3O_8), we arrive at an intrinsic value of A\$1.20 for A-Cap based on 7.54 million contained pounds U_3O_8 . This price objective is predicated upon A-Cap this year completing a positive scoping study and improving the grade of its resource. Should the resource at Letlhakane expand considerably, the intrinsic value of A-Cap's shares may appreciate further.

Table 1: Enterprise Value Per Pound of U ₃ O ₈											
Project	Country	Interest	Resources		Inferred Tonnage / Grade	Total Mlbs U ₃ O ₈	Cut-off Grade (ppm)	Share Price (\$)	Shares O/S (M)	AMC Fully-Diluted (\$M)	AMC/lbs U ₃ O ₈ Fully-Diluted (\$)
			Measured & Indicated Tonnage / Grade	Mlbs U ₃ O ₈							
Forsys Metals Corp. (FSY:TSX)											
Valencia	Namibia	100%	116.8 Mt @ 0.0119% U ₃ O ₈ ^a	30.64	30.64	60	\$2,904	76.69	\$197.76	\$6.45	
Xempur Energy Corp. (XE:TSX-V)											
Engo Valley ^b	Namibia	100%	5.68 Mt @ 0.034% U ₃ O ₈ ^c	4.26	4.26	*					
Cape Cross ^d	Namibia	100%	0.39 Mt @ 0.023% U ₃ O ₈ ^e	0.20	0.20	*					
Barrick Resources Limited (BMR:ASX)											
Gaamkotes Anomaly "A"	Namibia	80%	55.83 Mt @ 0.0219% U ₃ O ₈	21.56	21.56	100	\$2,910	127.53	\$409.75	\$19.00	
Deep Yellow Limited (DYL:ASX)											
Tubas	Namibia	100%	77.3 Mt @ 0.0228% U ₃ O ₈	38.86	38.86	100	\$0.285	1,108.73	\$262.65	\$6.76	
African Energy Resources (Guernsey) Limited (AFR:ASX)											
Gwabe	Zambia	70%	4.2 Mt @ 0.0267% U ₃ O ₈	1.73	1.73	100					
Njume	Zambia	70%	5.5 Mt @ 0.04% U ₃ O ₈	3.40	3.40	200					
West Australian Metals Ltd. (WME:ASX)											
Marenica	Namibia	80%	32 Mt @ 0.0213% U ₃ O ₈	12.02	12.02	110	\$0.300	147.88	\$40.92	\$7.98	
Exploration Average ¹											
				12.02	12.02		\$0.300	248.45	\$91.61	\$7.62	
A-Cap Resources Ltd. (ACB:ASX)											
120 Mt @ 0.0120% U ₃ O ₈											
				29.15	29.15	80				\$1.39	
89 Mt @ 0.0130% U ₃ O ₈											
				25.51	25.51	90				\$1.58	
65 Mt @ 0.0140% U ₃ O ₈ quoted											
Makobasi-Kraken	Botswana	100%	37 Mt @ 0.0160% U ₃ O ₈	13.05	20.06	100	\$0.485	110.10	\$40.38	\$2.01	
				13.05	13.05	120				\$3.09	
18 Mt @ 0.0190% U ₃ O ₈ chosen											
				7.54	7.54	150				\$5.36	
				3.17	3.17	200				\$12.72	
				6 Mt @ 0.0240% U ₃ O ₈							
				7.54	7.54		\$0.655	110.10	\$0.655	\$9.56	

Source: e Research

Notes

Share Prices as at January 28, 2008 - exchange rates 1.12129A\$ = C\$ and 1.12365A\$ = US\$
 Adjusted Market Cap = Market Cap - Cash + Debt - ITM; where ITM is the value of options and warrants that are "In-the-Money".
 Cash, Debt and ITM are estimates based on availability of regulatory information.
 Resource pounds U₃O₈ have been adjusted to reflect the company's interest.
^a non-JORC compliant

¹ does not include Xempur Energy Corp.

^a Probable reserves based on pit optimization studies and contained within measured + indicated + inferred resources totaling 62.1 million pounds U₃O₈.

^b "estimated potential" for approximately 15 million tons of ore at a grade of approximately 0.04% U₃O₈, according to General Mining and Finance Corp.

^c historical estimated ore reserves by General Mining and Finance Corp.

^d contains the Mile 72 uranium deposit

^e historical estimated ore reserves - Labuschagne (1976)

Table 2: Valuation Synthesis

	Upside Potential *			
	<u>EV per pound U₃O₈ (A\$)</u>	<u>Intrinsic Value (A\$)</u>	<u>EV per pound U₃O₈ (A\$)</u>	<u>Intrinsic Value (A\$)</u>
Peer Group Comparison	9.56	0.655	19	1.301
Comparable Market Transactions	13.38	0.916	14.7	1.010
Target Price		0.742		1.204

* Upon completion of a positive scoping study

Source: eResearch

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

eResearch analyst on this report: Oliver Schatz, B.Sc. (Geology), M.Sc. (Geology): Oliver Schatz has been with InfoMine Inc., the world's largest mining database, for one year as a Geological Analyst. He is responsible for reviewing and analyzing technical documents submitted by publicly-traded mining and mineral exploration companies, and also posts industry news on the InfoMine web-site. Previously, he gained direct mineral exploration field-work experience with a geological consulting company in the Yukon and also worked for an industry major in a mine in northwestern Ontario.

Bob Weir, B. Comm, B.Sc., CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

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eResearch Recommendation System

Strong Buy:	Expected total return within the next 12 months is at least 40%.
Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

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High Risk:	<i>Financial</i> - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends. <i>Operational</i> - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.
Medium Risk:	<i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend. <i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry
Low Risk:	<i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock. <i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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