

# **DWYKA RESOURCES LIMITED**

**ACN 060 938 552**

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## **NOTICE OF GENERAL MEETING**

**and**

## **EXPLANATORY MEMORANDUM**

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Date of Meeting: 20 September 2007

Time of Meeting: 10.00 am WST

Place of Meeting: 98 Colin Street, West Perth, Western Australia

This Notice of General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

**DWYKA RESOURCES LIMITED**  
**ACN 060 938 552**

**NOTICE OF GENERAL MEETING**

Notice is hereby given that a general meeting of shareholders of Dwyka Resources Limited ACN 060 938 552 ("**Company**") will be held at 98 Colin Street, West Perth, Western Australia at 10.00am (WST) on 20 September 2007.

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered and contains a glossary of defined terms for terms that are not defined in full in this Notice of Meeting.

**RESOLUTIONS**

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**1. Disposal of diamond and industrial assets and acquisition of an interest in KimCor Diamonds plc**

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 11.1.2 and all other purposes, the shareholders hereby approve and agree to:*

- (a) the proposed disposal of all of the Company's diamond and industrial assets to KimCor Diamonds plc ("**KimCor**"), through the acquisition by KimCor of all of the issued shares in DDHL, a wholly owned subsidiary of the Company, in consideration for the issue to Dwyka of 134,383,718 new ordinary shares in KimCor, representing approximately 67% of the total issued shares in KimCor ("**Proposed Transaction**"); and*
- (b) the proposed change to the Company's activities that result from the Proposed Transaction as described in the Explanatory Memorandum."*

<p>The Company will disregard any votes cast on this resolution by any person who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary shares if this resolution is passed or by an associate of such persons. However, a person can vote if the vote is cast 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.</p>
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**2. Ratification of issue of Shares to Savinara Company SA**

To consider, and if thought fit, to pass, with or without amendments, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.4 and for all other purposes, the shareholders of the Company hereby ratify the issue of 3,962,757 Shares to Savinara Company SA on 20 July 2007 in consideration for the acquisition of shares of 50% in Swazi Gold Ventures (Pty) Ltd representing 50% of the issued share capital of Swazi Gold Ventures (Pty) Ltd, on the terms and conditions contained in the Explanatory Memorandum."*

<p>The Company will disregard any votes cast on this resolution by Savinara Company SA and an associate of Savinara Company SA. However, a person can vote if the vote is cast 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.</p>
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### 3. Approval of grant of Options to I Tell AG

To consider, and if thought fit, to pass, with or without amendments, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.1 and for all other purposes, the shareholders of the Company hereby approve and authorise the grant of up to 200,000 Options to I Tell AG, each exercisable on or before 30 June 2008 at an exercise price of \$0.95, on the terms and conditions contained in the Explanatory Memorandum, and to allot and issue up to 200,000 Shares on the valid exercise of those Options."*

The Company will disregard any votes cast on this resolution by I Tell AG and any other person who might obtain a benefit if this resolution is passed or by an associate of I Tell. However, a person can vote if the vote is cast 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.

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### 4. Approval of grant of Options to Nicholas John Bias

To consider, and if thought fit, to pass, with or without amendments, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.1 and for all other purposes, the shareholders of the Company hereby approve and authorise the grant of up to 250,000 Options to Nicholas John Bias, each exercisable on or before 30 June 2009 at an exercise price of \$0.95, on the terms and conditions contained in the Explanatory Memorandum, and to allot and issue up to 250,000 Shares on the valid exercise of those Options."*

The Company will disregard any votes cast on this resolution by Nicholas John Bias and any other person who might obtain a benefit if this resolution is passed or by an associate of Nicholas John Bias. However, a person can vote if the vote is cast 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.

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### 5. Approval of grant of Options to Montagu Stockbrokers Pty Ltd

To consider, and if thought fit, to pass, with or without amendments, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.1 and for all other purposes, the shareholders of the Company hereby approve and authorise the grant of up to 500,000 Options to Montagu Stockbrokers Pty Ltd each exercisable on or before 30 June 2010 at an exercise price of \$0.31, on the terms and conditions contained in the Explanatory Memorandum, and to allot and issue up to 500,000 Shares on the valid exercise of those Options."*

The Company will disregard any votes cast on this resolution by Montagu Stockbrokers Pty Ltd and any other person who might obtain a benefit if this resolution is passed or by an associate of Montagu Stockbrokers Pty Ltd.

However, a person can vote if the vote is cast 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.

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## 6. Ratification of issue of Shares to Acorn Mining (Pty) Ltd and Acorn Financial Instruments (Pty) Ltd

To consider, and if thought fit, to pass, with or without amendments, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.4 and for all other purposes, the shareholders of the Company hereby approve and ratify the issue of 268,535 Shares to Acorn Mining (Pty) Ltd on 6 August 2007 and 480,865 Shares to Acorn Financial Instruments (Pty) Ltd on 6 August 2007 on the terms and conditions contained in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by Acorn Mining (Pty) Ltd and Acorn Financial Instruments (Pty) Ltd and an associate of Acorn Mining (Pty) Ltd and Acorn Financial Instruments (Pty) Ltd. However, a person can vote if the vote is cast 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.

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## 7. Ratification of issue of Shares to Capital Frontiers LLC

To consider, and if thought fit, to pass, with or without amendments, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.4 and for all other purposes, the shareholders of the Company hereby approve and ratify the issue of up to 1,600,000 Shares to Capital Frontiers LLC on 6 August 2007, on the terms and conditions contained in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by Capital Frontiers LLC and an associate of Capital Frontiers LLC. However, a person can vote if the vote is cast 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.

**BY ORDER OF THE BOARD**



Mike Langoulant  
Company Secretary

DATED: 16 August 2007

## **PROXY AND VOTING ENTITLEMENT INSTRUCTIONS**

### **PROXY INSTRUCTIONS**

Shareholders are entitled to appoint up to two individuals or bodies corporate to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the Company's office, 98 Colin Street, West Perth WA 6005, +61 8 9324 2977, not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual or body corporate named in the proxy form proposes to vote.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy may, but need not, be a shareholder of the Company.

In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice.

### **VOTING ENTITLEMENT**

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 5.00 pm WST on Tuesday, 18 September 2007. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

**DWYKA RESOURCES LIMITED**  
**ACN 060 938 552**

**PROXY FORM**

Dwyka Resources Limited, 98 Colin Street, West Perth WA 6005, Facsimile +61 8 9324 2977

I/We \_\_\_\_\_

of \_\_\_\_\_

being a shareholder/(s) of Dwyka Resources Limited ("**Company**") and entitled to

\_\_\_\_\_ shares in the Company

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her/it \_\_\_\_\_

of \_\_\_\_\_

or failing him/her/it the Chairman as my/our proxy to vote for me/us and on my/our behalf at the general meeting of the Company to be held at 98 Colin Street, West Perth, Western Australia at 10.00 am on 20 September 2007 and at any adjournment thereof in respect of \_\_\_\_\_ of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [ ]%.  
(An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his/her/its discretion.

In relation to undirected proxies, the Chairman intends to vote in favour of all of the Resolutions.

If you do not wish to direct your proxy 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 a resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

I/we direct my/our proxy to vote as indicated overleaf:



**DWYKA RESOURCES LIMITED**  
**ACN 060 938 552**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the general meeting of Shareholders to be held at 98 Colin Street, West Perth, Western Australia at 10.00am (WST) on 20 September 2007.

The Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting. For the assistance of Shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

Full details of the business to be considered at the General Meeting are set out below.

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**1. Resolution 1**

**1.1 The Proposed Transaction**

(a) *Background*

Dwyka is seeking shareholder approval to transfer all of its diamond and industrial assets to KimCor through the acquisition by KimCor of all of the shares in DDHL, a wholly owned subsidiary of the Company, which is the holding company for Dwyka's diamond and industrial assets, in consideration for the issue to Dwyka of shares in KimCor representing approximately 67% of the total issued shares in KimCor following the acquisition.

The Proposed Transaction is consistent with the diversification strategy being implemented by the Company. As announced by the Company on 17 January 2007, Dwyka has sought new growth opportunities as part of its ongoing strategy of growth and diversification. Dwyka has acquired interests in both an advanced nickel and an advanced gold exploration project. These acquisitions have resulted in a significant re-rating of the Company. The Proposed Transaction would allow the Company to focus on these projects, while retaining a controlling interest in its existing diamond and industrial assets through the Company's shareholding in KimCor.

(b) *Structure of Proposed Transaction*

The Proposed Transaction is to be effected by the following:

- Dwyka and Kimcor have entered into a Share Purchase Agreement ("**SPA**") pursuant to which, subject to the satisfaction of certain conditions, KimCor will acquire all of the shares in DDHL and KimCor will issue 134,383,718 KimCor shares to Dwyka.
- KimCor has produced an admission document as required by the AIM Rules ("**Admission Document**") in connection with the re-admission of its shares and warrants to trading on AIM (such document being necessary as a result of the categorisation of the Proposed Transaction as a reverse takeover by Dwyka of KimCor within the meaning of the AIM Rules).

- KimCor has undertaken a fundraising pursuant to which it has obtained firm commitments from certain places to subscribe for shares in KimCor having an aggregate value of no less than £3,500,000.
- Dwyka is seeking shareholder approval of the Proposed Transaction in accordance with this Resolution 1.
- KimCor is seeking shareholder approval of the Proposed Transaction.

(c) *Some of the key benefits identified for Dwyka*

The Proposed Transaction would allow the Company to retain an indirect controlling interest in its existing diamond and industrial assets, in addition to gaining exposure to KimCor's existing diamond assets, and would allow Dwyka to focus on its recently-acquired nickel and gold assets. Dwyka considers that the Proposed Transaction is a good strategic fit as KimCor, like Dwyka:

- is a small diamond producer listed on AIM;
- operates a diamond tailings re-treatment project and owns various diamond exploration rights projects in the Kimberley region of South Africa; and
- has a developmental and investment philosophy involving each of exploration, mature projects and corporate transactional opportunities.

In addition, the Company believes that the Proposed Transaction will be beneficial in that it is expected to enable economies of scale and a reduction of production costs to be achieved across the enlarged suite of diamond assets, enable those assets to benefit from the technical and financial strengths of KimCor's personnel and, by virtue of the consolidation of those assets with KimCor's existing diamond projects, create a mid-tier (by volume) diamond producer with potentially greater access to capital than is currently available to Dwyka in relation to its smaller suite of diamond assets.

(d) *Potential Disadvantages of the Proposed Transaction*

Whilst the disadvantages of the Proposed Transaction should be considered, the Board of Directors considers the advantages of the Proposed Transaction significantly outweigh the disadvantages.

Some of the factors the Board of Directors has considered are as follows:

- diminished exposure to any potential upside from Dwyka's existing diamond assets;
- increased exposure to risks associated with KimCor's diamond assets; and
- general risks associated with acquiring shares in KimCor (ie risks associated with the performance of KimCor shares and the performance of the market or markets for shares generally).

(e) *Conditions Precedent*

The Proposed Transaction is subject to a number of conditions precedent being satisfied. As at the date of this Explanatory Memorandum, the following conditions precedent remain outstanding:

- approval of the Proposed Transaction by Shareholders;

- approval of the Proposed Transaction by KimCor shareholders;
- the placing agreement in relation to the proposed KimCor fundraising not being terminated and becoming unconditional in all respects in accordance with its terms (save for any condition relating to the allotment of the relevant KimCor shares to placees and the SPA becoming unconditional or being completed); and
- admission of the shares and warrants in the enlarged KimCor to trading on AIM occurring.

## 1.2 Listing Rule 11.1.2

Under Listing Rule 11.1.2, a listed company must obtain shareholder approval if a proposed transaction is likely to result in a significant change to the nature or scale of the company's activities.

## 1.3 Information on KimCor

KimCor is a company incorporated in the UK and listed on AIM. KimCor is an integrated diamond mining and exploration company.

At present, KimCor has 67,191,859 ordinary shares quoted on AIM and has granted a total of approximately 10,326,667 warrants, each convertible into 1 share, exercisable on or before 15 March 2008.

KimCor has diamond tailings recoveries and diamond exploration properties located around Kimberly in South Africa. Details of its two main projects, Bellsbank and Koffiefontein (as summarised in the Admission Document) are set out below.

### (a) *Bellsbank project*

Bellsbank is a tailings operation situated on the site of the disused Bellsbank mine, some 60km north north west of Kimberley. Following its acquisition of Bellsbank in August 2005, KimCor commenced construction of a high capacity tailings treatment plant, which was commissioned in late 2006.

The Competent Person's Report contained in the Admission Document states that the level of indicated and inferred resources at the Bellsbank lease area are estimated to be as follows:

Type	Classification	Tonnage (million)	Grade (cpht)
Tailings	Indicated Resource	3.0	4.3
Tailings	Inferred Resource	0.8	4.3
Total		3.8	4.3

### (b) *Koffiefontein project*

The Koffiefontein project is a diamond exploration programme situated 50 km south east of Kimberley and approximately 20 km to the north east of the historical Koffiefontein mine. It covers 18 farms totalling approximately 10,000 ha situated in the Jacobsdal, Petrusburg and Koffiefontein magisterial districts.

Apart from one known kimberlite pipe, all three prospecting areas represent prospects which are at an early stage of exploration.

As stated in the Admission Document, recent drilling on the kimberlite pipe in the presence of KimCor's geologist produced a concentrate displaying purple G10 garnets, chrome diopside and phlogopite, which are considered to be representative of some of the same kimberlite source as the concentrates on which original analyses were conducted.

#### **1.4 Information on Dwyka's Diamond and Industrial Assets**

Dwyka presently operates the following businesses and projects which would, as a consequence of the sale by Dwyka of all of the issued shares in DDHL to KimCor in accordance with the Proposed Transaction, be acquired by KimCor:

(a) *Underground kimberlite mines*

- Blaauwbosch mine: a producing underground mining operation located approximately 90km north east of Kimberley and consisting of a main pipe and fissures, as well as tailings resources derived from the processing of historical production.
- Newlands mine: an operating underground mine located approximately 60km north west of Kimberley, being a fissure mine connecting a series of kimberlite blows, of which five are presently recognised.
- New Elands mine: a dormant underground mine located on the farm New Elands 949 and situated 90 km north east of Kimberley, in close proximity to Blaauwbosch and sharing its geological characteristics.

(b) *SMI4 tailings processing plant*

The SMI4 project is located on the outskirts of Kimberley and comprises a modern processing plant constructed to process up to 80,000tpm of tailing material provided under the terms of an agreement with De Beers. Production levels at the plant are currently being ramped down and will eventually stop pending renegotiation of arrangements with De Beers and necessary plant upgrades to increase tonnages.

(c) *Nooitgedacht alluvial mine*

The Nooitgedacht alluvial mine is located approximately 15km north west of Kimberley, covering 4,671ha which has frontage along approximately 6km of the diamondiferous Vaal River. No mining is currently taking place and use of the property is currently restricted to the operation by Dwyka of a stone crushing plant.

(d) *Bosele and Itobo exploration projects*

- Bosele: an early stage exploration project located 30 km north-west of Kimberley which covers 1135ha contiguous with the Messina – Dancarl diamond mines which exploit the Bobbejaan fissure. Drilling at Bosele has intersected the same Bobbejaan fissure.
- Itobo: an exploration joint venture with De Beers, comprising two diamondiferous kimberlites (Mahene and Itanana) located in the Nzega District of Tanzania.

(e) *Industrial division*

The industrial division is comprised of four separate but interlinked businesses as follows:

- De Hoop, comprising a mining permit with scope to produce sand and gravel;
- Nooitgedacht, producing sand and gravel as a by product of diamond mining;
- Biz Afrika, producing bricks and paving blocks; and
- Supermix, producing ready mix concrete.

## 1.5 Information on Dwyka's Non-diamond Assets

Dwyka has recently acquired interests in the following non-diamond projects, which would be retained following implementation of the Proposed Transaction and which would constitute the focus of the Company's operations going forward:

### (a) *Muremera Nickel project*

The Muremera nickel project ("**Muremera Project**") is located in Burundi, within 2km of the Kabanga project, the world's largest undeveloped nickel sulphide deposit. Danyland Limited ("**Danyland**"), a wholly-owned subsidiary of Dwyka, is the holder of the Muremera Project. Pursuant to an Earn-in and Shareholders Agreement dated 23 February 2007 ("**Muremera Agreement**") BHP Billiton has agreed to sole fund the development of the Muremera Project through to pre-feasibility, in consideration of acquiring an interest of up to 50% in Danyland.

The Kabanga deposit, which is located immediately across the border in Tanzania, was discovered by geophysical prospecting, by the United Nations Development Programme ("**UNDP**"), in 1976. Further UNDP surveys in 1978 resulted in the discovery of the prospective Muremera deposits on the Burundi side of the border. The anomalies have identical characteristics and follow-up work by the UNDP has confirmed that massive sulphide bodies, with nickel mineralisation, are the source of the anomalies. Extensive geophysics and geochemical surveys have delineated numerous targets, however there has been insufficient drilling to date to establish a JORC compliant resource.

Detailed logging and sampling of the UNDP core has now been undertaken. Twelve drillholes were logged, sampled and petrographically analysed. Geostatistical analyses revealed a high correlation coefficient between the UNDP results and the new results allowing for the combined use of the two data sets in geochemical studies of the deposit. The petrographic analysis has found that pentlandite and chalcopyrite (the minerals of Ni and Cu respectively) are present in most cases, though often fine grained. Early observations are that similarities to Kabanga exist at Muremera.

### (b) *Swazigold Gold project*

The Swazigold project ("**Swazi Project**") is located in the highly prospective Archaean Barberton Greenstone Belt straddling the border between Swaziland and Mpumalanga province in South Africa. Pursuant to a Shareholders and Earn-in Agreement dated 16 July 2007 ("**Swazi Agreement**"), Karrinyup Holdings Limited ("**Karrinyup**"), a wholly-owned subsidiary of the Company, is the holder of a 50% interest in Swazi Gold Ventures (Pty) Ltd ("**SGV**"), which holds 90% of the shares in Swaziland Gold (Pty) Ltd, the owner of the Swazi Project. Under the terms of the Swazi Agreement, Karrinyup has the ability to acquire up to 100% of SGV.

Historical work on the Swazi Project includes geochemistry, geological mapping, and 13 600 metres of drilling. The majority of this work was carried out by Rio Tinto and JCI between 1991 and 1997.

Gold mineralization in the Barberton Greenstone Belt is closely associated with thrust-sense shear zones that juxtapose strata of different stratigraphic Groups. Following a review of the historical data, Dwyka considers that the following four prospects have immediate ‘step up and drill’ potential:-

- Daisy
- Wyldsdale/Lomati
- Kobolondo
- Lufafa

(i) Daisy

The Daisy deposit is hosted by a steeply dipping shear at the contact between amphibolite and talc schists. Gold occurs in a 1 to 3 m wide quartz-carbonate-sulphide schist with a strike length of at least 700 m.

Three target areas termed Zone 1, Zone 2, and Zone 3, have been identified here. Promising gold grades have been returned from JCI and Rio Tinto’s drilling on all zones as follows:-

<b>Zone 1</b>	25.8g/t over 1.6m
	19.1g/t over 1.3m
	8.9g/t over 1.5m
	5.3g/t over 0.8m
	7.8g/ t over 1.2m
<b>Zone 2</b>	7.2g/t over 1.5m
	5.1g/t over 2.0m
<b>Zone 3</b>	5.0g/t over 0.9m
	4.5g/t over 0.9m

The Company believes that the Daisy project has immediate potential to prove up a small to medium tonnage high grade underground gold mine and will be a prime target for immediate drilling by Dwyka.

(ii) Wyldsdale/Lomati

Previous drilling by Rio Tinto and JCI returned some encouraging results as follows:-

<b>BH-80/1</b>	6.9g/t over 1m
	39.7g/t over 1m
	10.5g/t over 1m
	3.1g/t over 1m
	38.4g/t over 1m
<b>BH-80/3</b>	4.8g/t over 2m
	3.5g/t over 2m
	13.6g/t over 2m

<b>BH-WP/27</b>	9.6g/t over 1m

Mineralisation at Wyldsdale/Lomati is associated with a steeply dipping, highly sheared contact, between Barberton Supergroup supracrustals and a granitoid intrusion. Gold mineralization is typically hosted by black quartz veins which occur throughout the granite intrusion. The gold is characterised by the presence of coarse gold (50um – 1500um). The previous drilling indicates several high grade intersections that might be amenable to underground mining. This is a step up drill target and Dwyka will carry out follow up drilling as a priority.

(iii) Kobolondo

Two targets have been identified by Dwyka here, simply termed the southern and northern targets. Three holes drilled by Rio Tinto in the southern target returned the following grades:-

<b>BH-11</b>	4.3g/t over 4m
	17.4g/t over 2m
<b>BH-2</b>	2.3g/t over 3m
<b>BH-3</b>	10.9g/t over 2m

The southern target comprises a series of steeply dipping and sub-parallel quartz-sericite alteration zones (shear zones) with coincident anomalous soil geochemistry. The Board considers that the southern target has immediate drill potential and this will be carried out by Dwyka as a priority.

The northern target has had little work performed on it to date but one hole returned 0.5g/t over 13m indicating good potential for gold mineralization. Dwyka will drill test this following work at the southern target.

(iv) Lufafa

Three target areas have been identified here following work by Rio Tinto and JCI. The target areas are again simply termed Lufafa North, Lufafa Central, and Lufafa South. Of immediate interest to Dwyka is Lufafa Central, where trenching by Rio Tinto returned gold grades of 4.3g/t over 4m, 1.7g/t over 14m, and 2.7g/t over 8m. These results coincide with an area that geometrically and kinematically represents a region of relative dilation, allowing greater volumes of mineralizing fluids to pass through the rock mass.

The bedrock geology at Lufafa Central comprises inter layered banded ironstone, phyllite and chert, and is considered by Dwyka to have the potential to host several small to medium scale, low grade open pit deposits as well as wide, moderate grade, steeply plunging ore shoots that may be suitable for underground, mechanized mining. It is also noted that the level of oxidation at Lufafa suggests to Dwyka that heap leaching may be an appropriate technique for low cost extractive metallurgy, particularly for the porous banded iron formation that contains the higher grade gold mineralization.

## 1.6 Effect of the Proposed Transaction

(a) *Effect on Capital Structure*

The Company will not issue any securities to KimCor in connection with the Proposed Transaction. Accordingly, the Proposed Transaction will not have any effect on the Company's capital structure.

(b) *Effect on board composition*

KimCor is not obtaining any interest in Dwyka as a result of the Proposed Transaction and, accordingly, it is not expected that any changes will be made to the Company's board of directors as a result of the implementation of the Proposed Transaction.

(c) *Intentions of Dwyka*

On 17 January 2007, the Company announced that the Board had adopted and was pursuing a new, diversified growth strategy that would see Dwyka's focus expand from the diamond sector to new projects across a range of minerals sectors. In that announcement, Dwyka also indicated that it intended to merge its diamond assets with those of another junior explorer/producer in order to create a larger diamond player and to enable Dwyka shareholders to benefit from an exposure to a broader suite of diamond assets. The Proposed Transaction represents the fulfilment of that intended strategy.

Following implementation of the Proposed Transaction, Dwyka intends to focus on the development of the new mineral opportunities that it has now acquired in the period since the date of that announcement (being the Muremera Nickel and Swazigold projects), as well as to pursue additional opportunities that the Board believe complement Dwyka's suite of projects and have the potential to increase shareholder value.

(d) *Financial Information*

Pro forma balance sheets as at 31 December 2006 for the Company on the basis that the Proposed Acquisition is completed are shown below:

**Pro Forma Condensed Consolidated Balance Sheet  
as at 31 December 2006**

**Dwyka Resources Limited**

**Merger of diamond and industrial assets with Kimcor**

**Pro-forma consolidated income statement**

**For the half-year ended 31 December 2006**

	<b>Dwyka consolidated</b>	<b>Dwyka consolidated</b>	<b>Kimcor</b>	<b>Dwyka/Kimcor consolidated</b>
	<b>Half-year ended</b>	<b>Half-year ended</b>	<b>Full-year ended</b>	<b>Half-year ended</b>
	<b>Audit reviewed</b>	<b>Pro-forma</b>	<b>Audited</b>	<b>Pro-forma</b>
	<b>31 Dec 2006</b>	<b>31 Dec 2006</b>	<b>31 March 2007</b>	<b>31 Dec 2006</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
	3,406	3,406	487	3,893
Cost of sales	(4,152)	(4,152)	(428)	(4,580)
<b>Gross profit</b>	(746)	(746)	59	(687)
Other income	237	237	135	372
Other expenses from ordinary activities				
	(2,897)	(2,897)	(3,914)	(6,811)
<b>Administration</b>				
Exploration written off	(288)	(288)	-	(288)
Impairment of assets	(1,077)	(9,948)	-	(9,948)
Impairment of goodwill	(920)	(920)	-	(920)
Finance costs	(293)	(293)	(14)	(307)
Other	(297)	(297)	-	(297)
<b>Loss before income tax</b>	(6,281)	(15,152)	(3,734)	(18,886)
	-	1,601	38	1,639
	(6,281)	(13,551)	(3,696)	(17,247)
Loss attributable to minority interest	-	-	-	(8,173)
<b>Loss attributable to members of Dwyka Resources Limited</b>	(6,281)	(13,551)	(3,696)	(9,074)

## Pro-forma Consolidated Income Statement Assumptions

### Dwyka Pro-forma consolidated income statement 31 December 2006

1. Since 31 December 2006 the board of Dwyka have resolved to create an impairment provision against its diamond producing mining and exploration assets and plant and equipment assets to the value of \$8,871,000. This impairment provision has been taken up as at 31 December 2006. As a result an income tax benefit has been booked to the value of \$1,601,000.

### Kimcor 31 March 2007 audited results

1. These GBP numbers have been converted at the GBP/AUD exchange rate at 31 March 2007 – 2.43.

### Pro-forma Consolidated Dwyka/Kimcor as at 31 December 2006

1. The Kimcor 31 March 2007 full year results were deemed to be its results for the 6 month period ended 31 December 06.
2. Dwyka has sold its diamond and industrial assets to Kimcor in consideration of the issue of 134,383,718 Kimcor shares at GBP0.065 and the expanded Kimcor undertakes and completes a GBP3.5 million capital raising at an issue price of GBP0.065; converted to AUD at GBP/AUD 2.485. The minority position in the expanded group sits at 47.39%.
3. The minority interest on consolidation represents the external 47.39% Kimcor shareholders share of the loss that would have been recorded in the enlarged Kimcor company for the 31 December 2006 period.

**Dwyka Resources Limited**  
**Merger of diamond and industrial assets with Kimcor**  
**Pro-forma Consolidated Balance Sheet**  
**31 December 2006**

	Dwyka 31 Dec 2006 Audit reviewed consolidated	Dwyka 31 Dec 2006 Pro-forma consolidated	Kimcor 31 March 2007 Audited	Dwyka/Kimcor 31 Dec 2006 Pro-forma
	\$'000s	\$'000s	\$'000s	\$'000s
Cash and cash equivalents	2,285	7,285	1,264	16,902
Trade and other receivables	978	978	262	1,240
Inventories	324	324	87	411
<b>Total Current Assets</b>	<b>3,587</b>	<b>8,587</b>	<b>1,613</b>	<b>18,553</b>
<b>NON-CURRENT ASSETS</b>				
Receivables	57	57	17	74
Other financial assets	192	192	-	192
Property, plant & equipment	8,894	6,536	1,366	7,902
Diamond exploration, evaluation and mining properties	8,907	2,394	4,756	7,150
Non-diamond exploration properties	-	8,374	-	8,374
Other	311	311	243	554
<b>Total Non-Current Assets</b>	<b>18,361</b>	<b>17,864</b>	<b>6,382</b>	<b>24,246</b>
<b>TOTAL ASSETS</b>	<b>21,948</b>	<b>26,451</b>	<b>7,995</b>	<b>42,799</b>
	1,662	1,662	534	2,196
	205	205	-	205
	247	247	-	247

	2,114	2,114	534	2,648
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	6,615	6,615	-	6,615
Deferred tax liability	1,633	1,633	1,053	2,686
Provisions	306	306	-	306
<b>Total Non-Current Liabilities</b>	<b>8,554</b>	<b>8,554</b>	<b>1,053</b>	<b>9,607</b>
<b>TOTAL LIABILITIES</b>	<b>10,668</b>	<b>10,668</b>	<b>1,587</b>	<b>12,255</b>
<b>NET ASSETS</b>	<b>11,280</b>	<b>15,783</b>	<b>6,408</b>	<b>30,544</b>
<b>EQUITY</b>				
Contributed equity	56,912	67,922	781	67,922
Reserves	1,320	3,684	10,546	12,057
Accumulated losses	(46,952)	(55,823)	(4,954)	(59,519)
<b>Total parent entity interest</b>	<b>11,280</b>	<b>15,783</b>	<b>6,373</b>	<b>20,460</b>
Minority interest	-	-	35	10,084
<b>TOTAL EQUITY</b>	<b>11,280</b>	<b>15,783</b>	<b>6,408</b>	<b>30,544</b>

## Pro-forma Consolidated Balance Sheet Assumptions

### Pro-forma consolidated balance sheet Dwyka 31 December 2006

1. Completion of the \$5million capital raising via share purchase plan and placement. Although this was completed in March 2007 it was assumed to have been completed as at 31 December 2006.
2. Issue of 9,713,014 Dwyka shares at \$0.40 to acquire 100% of the Burundi nickel project was assumed to have occurred at 31 December 2006. Note a further 6,475,343 shares are issuable subject to exploration advancement hurdles. This project has been joint ventured with BHPB who are vigorously pursuing exploration of this project. The current exploration budget lodged with the Burundi government by BHPB is in excess of what is required to trigger the first exploration advancement hurdle. As such 2,158,447 further shares at \$0.40 have been taken up as at 31 December 2006 as a deferred consideration reserve.
3. Payment of the initial \$US200,000 and issue of \$US1,500,000 of Dwyka shares to obtain 50% of the Swaziland gold project was assumed to have occurred at 31 December 2006. Note further payments and share issues are required to increase Dwyka's interest from 50% to 100% of this project. The initial \$US750,000 exploration expenditure to trigger an increase in Dwyka's interest to 70% has been committed and will be expended in the next 12 months. Thus a further purchase consideration of \$US200,000 and \$US1,00,000 in Dwyka shares has been taken up as deferred consideration as at 31 December 2006. These \$US amounts have been converted to AUD at \$0.80 USD/AUD exchange rate.
4. Since 31 December 2006 the board of Dwyka have resolved to create an impairment provision against its diamond producing mining and exploration assets and plant and equipment assets to the value of \$8,871,000. This impairment provision has been taken up as at 31 December 2006. As a result an income tax benefit has been booked to the value of \$1,601,000.

### Kimcor 31 March 2007 audited balance sheet

1. Kimcor's audited balance sheet as at 31 March 2007 has been converted at the GBP/AUD exchange rate at 31 March 2007 – 2.43.

### Pro-forma consolidated Dwyka/Kimcor as at 31 December 2006

1. Dwyka sells its diamond and industrial assets to Kimcor in consideration of the issue of 134,383,718 Kimcor shares at GBP0.065.
2. The Kimcor 31 March 07 amounts were deemed to be as at 31 December 06.
3. The Dwyka 31 December 06 pro-forma balance sheet was adopted.
4. The expanded Kimcor undertakes and completes a GBP3.5 million capital raising at an issue price of GBP0.065; converted to AUD at GBP/AUD 2.485.

The minority interest on consolidation represents the 47.39% interest that would be attributable to both the original Kimcor shareholders plus the new shareholders arising from the proposed placement in point 4 above.

## 1.7 Directors' Recommendations and Important Considerations

In the absence of an alternative proposal on better terms emerging prior to the Meeting, the Directors consider the Proposed Transaction to be in the best interests of Shareholders.

The Directors unanimously recommend non-associated Shareholders vote in favour of Resolution 1. Each of the Directors who hold Shares intends to vote in favour of Resolution 1.

Resolution 1 is important and affects the future of the Company. Shareholders are therefore urged to give careful consideration to the Notice of Meeting and this Explanatory Memorandum.

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## 2. Ratification of issue of Shares to Savinara Company SA

Resolution 2 seeks ratification by shareholders of the issue of Shares to Savinara Company SA for the purposes of Listing Rule 7.4.

The purpose of seeking shareholder approval and ratification of the issue of the Shares in Resolution 2 is to effectively reinstate the maximum limit under the Listing Rules on the number of securities that the Company may issue in any 12 month period without shareholder approval. On 16 July 2007, Karrinyup (a wholly-owned subsidiary of Dwyka) entered into the Swazi Agreement, pursuant to which it has the right to acquire shares in Swazi Gold Ventures (Pty) Ltd ("**SGV**"). SGV is the holder of 90% of the issued shares in Swaziland Gold (Pty) Ltd ("**SwaziGold**"), which in turn owns the Swazigold Project (as more fully described in section 1.5(b) of this Explanatory Memorandum).

Under the terms of the Swazi Agreement, Karrinyup has the right to acquire shares in SGV on the following basis:

- (a) payment of US\$200,000 plus Shares to the value of US\$1,500,000 (at market price) ("**Tranche 1 Shares**") - Karrinyup acquires a 50% interest of the issued share capital in SGV;
- (b) US\$750,000 worth of Swazigold Project expenditure by 30 June 2008 and payment of US\$200,000 plus Shares to the value of US\$1,000,000 (at 80% of market price) - Karrinyup earns a further 20% interest in SGV (ie Karrinyup's shareholding in SGV represents 70% of the total issued shares in SGV);
- (c) payment of US\$400,000 plus Shares to the value of US\$1,000,000 (at 80% of market price) by 30 June 2009 and project expenditure to reach bankable feasibility stage by 30 June 2011 - Karrinyup earns a further 15% interest (total 85%); and
- (d) issue of Shares to the value of US\$3,000,000 (at 80% of market price) pursuant to the exercise of a put and call option exercisable at any time in the 12 month period following completion of a bankable feasibility study - Karrinyup acquires the remaining 15% interest.

Resolution 1 relates to the Tranche 1 Shares.

In accordance with the disclosure requirements of Listing Rule 7.5, the following information is provided to Shareholders to enable them to consider and ratify the issue of Shares in Resolution 2:

- (a) The number of Shares allotted to Savinara Company SA was 3,962,757.

- (b) The deemed issue price of the Shares was \$0.434, calculated by reference to the volume weighted average price of Shares traded on ASX over the thirty day period immediately prior to 2 March 2007 (being the date on which the legally binding memorandum of understanding in relation to the Swazigold project – now superseded by the Swazi Agreement – was signed).
- (c) The allottee is not a related party of the Company.
- (d) The Shares issued by the Company were fully paid ordinary shares in the Company and rank equally with, and are on the same terms as, the existing Shares on issue.
- (e) No funds were raised pursuant to the issue of the Shares to Savinara Company SA as the Tranche 1 Shares were issued in part consideration for the acquisition of a 50% shareholding in SGV, the holder of 90% of the issued shares in SwaziGold, which in turn owns the SwaziGold Project.

The Directors unanimously recommend Shareholders vote in favour of Resolution 2.

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### **3. Resolution 3 - Approval of grant of Options to I Tell AG**

Resolution 3 seeks shareholder approval for the grant of 200,000 Options to I Tell AG for the purposes of Listing Rule 7.1.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without obtaining shareholder approval.

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided to Shareholders to enable them to consider the proposed grant of Options in Resolution 3:

- (a) The maximum number of Options to be granted pursuant to Resolution 3 is 200,000.
- (b) The grant of the Options will occur no later than three months after the date of the Meeting, or such later date approved by ASX.
- (c) The Board presently intend to grant the Options pursuant to Resolution 3 as one allotment. However, they reserve the right to grant the Options progressively.
- (d) The Options will be granted for no consideration. The requirement to grant these options arises from I Tell AG's role in providing investor relations services pursuant to an agreement with the Company dated 20 June 2007. In accordance with that agreement, the exercise price of the Options will be \$0.95.
- (e) The name of the allottee of the Options is I Tell AG.
- (f) The terms of the Options are set out in Schedule 1.
- (g) No funds will be raised by the granting of the Option pursuant to Resolution 3. However, when the Options are exercised, the funds raised from the issue of the Shares are to be used for working capital purposes, as the Board thinks fit.

The Directors unanimously recommend Shareholders vote in favour of Resolution 3.

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#### **4. Resolution 4 - Approval of grant of Options to Nicholas John Bias**

Resolution 4 seeks shareholder approval for the grant of 250,000 Options to Nicholas John Bias for the purposes of Listing Rule 7.1.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without obtaining shareholder approval.

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided to Shareholders to enable them to consider the proposed grant of Options in Resolution 4:

- (a) The maximum number of Options to be granted pursuant to Resolution 4 is 250,000.
- (b) The grant of the Options will occur no later than three months after the date of the Meeting, or such later date approved by ASX.
- (c) The Board presently intend to grant the Options pursuant to Resolution 4 as one allotment. However, they reserve the right to grant the Options progressively.
- (d) The Options will be granted for no consideration. The requirement to grant these options arises from Nicholas John Bias' role in providing investor relations services to the Company. The exercise price of the Options will be \$0.95.
- (e) The name of the allottee is Nicholas John Bias.
- (f) The terms of the Options are set out in Schedule 1.
- (g) No funds will be raised by the granting of the Option pursuant to Resolution 4. However, when the Options are exercised, the funds raised from the issue of the Shares are to be used for working capital purposes, as the Board thinks fit.

The Directors unanimously recommend Shareholders vote in favour of Resolution 4.

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#### **5. Resolution 5 - Approval of grant of Options to Montagu Stockbrokers Pty Ltd**

Resolution 5 seeks shareholder approval for the grant of 500,000 Options to Montagu Stockbrokers Pty Ltd for the purposes of Listing Rule 7.1.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without obtaining shareholder approval.

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided to Shareholders to enable them to consider the proposed grant of Options in Resolution 5:

- (a) The maximum number of Options to be granted pursuant to Resolution 5 is 500,000.

- (b) The grant of the Options will occur no later than three months after the date of the Meeting, or such later date approved by ASX.
- (c) The Board presently intend to grant the Options pursuant to Resolution 5 as one allotment. However, they reserve the right to grant the Options progressively.
- (d) The Options will be granted for no consideration. The requirement to grant these options arises from Montagu Stockbrokers Pty Ltd's role in providing professional services in connection with the share purchase plan and placement undertaken by the Company earlier this year. Accordingly, the exercise price of the Options will be \$0.31.
- (e) The name of the allottee is Montagu Stockbrokers Pty Ltd.
- (f) The terms of the Options are set out in Schedule 1.
- (g) No funds will be raised by the granting of the Option pursuant to Resolution 5. However, when the Options are exercised, the funds raised from the issue of the Shares are to be used for working capital purposes, as the Board thinks fit.

The Directors unanimously recommend Shareholders vote in favour of Resolution 5.

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## **6. Resolution 6 - Ratification of issue of Shares to Acorn Mining (Pty) Ltd and Acorn Financial Instruments (Pty) Ltd**

Resolution 6 seeks shareholder ratification of the issue of 268,535 Shares to Acorn Mining (Pty) Ltd and 480,865 Shares to Acorn Financial Instruments (Pty) Ltd for the purposes of Listing Rule 7.4.

The purpose of seeking shareholder approval and ratification of the issue of the Shares in Resolution 6 is to effectively reinstate the maximum limit under the Listing Rules on the number of securities that the Company may issue in any 12 month period without shareholder approval.

In accordance with the disclosure requirements of Listing Rule 7.5, the following information is provided to Shareholders to enable them to consider and ratify the issue of the Shares in Resolution 6:

- (a) The number of Shares allotted to Acorn Mining (Pty) Ltd was 268,535 on 6 August 2007 and the number of Shares allotted to Acorn Financial Instruments (Pty) Ltd was 480,865 on 6 August 2007.
- (b) These Shares were issued as consideration for the full and final settlement of all outstanding contractual and other obligations and claims in connection with the acquisition by the Company in 2005 of all of the issued shares and claims in Bellsbank Mining No 1 (Pty) Ltd and Kophia Diamonds (Pty) Ltd, the owners of the Blaauwbosch, Newland and New Elands underground kimberlite mines. The deemed issue price of the Shares was \$0.84.
- (c) The Shares rank equally with all existing Shares.
- (d) The allottees are not a related party of the Company.
- (e) No funds will be raised by the issue of the Shares pursuant to Resolution 6.

The Directors unanimously recommend Shareholders vote in favour of Resolution 6.

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## **7. Resolution 7 - Ratification of issue of Shares to Capital Frontiers LLC**

Resolution 7 seeks shareholder ratification of the issue of 1,600,000 Shares to Capital Frontiers LLC for the purposes of Listing Rule 7.4.

The purpose of seeking shareholder approval and ratification of the issue of the Shares in Resolution 7 is to effectively reinstate the maximum limit under the Listing Rules on the number of securities that the Company may issue in any 12 month period without shareholder approval.

In accordance with the disclosure requirements of Listing Rule 7.5, the following information is provided to Shareholders to enable them to consider and ratify the issue of the Shares in Resolution 7:

- (a) The number of Shares allotted was 1,600,000 on 6 August 2007.
- (b) These Shares were issued as consideration for the full and final settlement of all outstanding contractual and other obligations and claims in connection with the acquisition by the Company in 2005 of all of the issued shares and claims in Bellsbank Mining No 1 (Pty) Ltd and Kophia Diamonds (Pty) Ltd, the owners of the Blaauwbosch, Newland and New Elands underground kimberlite mines. The deemed issue price of the Shares was \$0.84.
- (c) The Shares rank equally with all existing Shares.
- (d) The allottee is not a related party of the Company.
- (e) The No funds will be raised by the issue of the Shares pursuant to Resolution 7.

The Directors unanimously recommend Shareholders vote in favour of Resolution 7.

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## 8. Glossary of Terms

The following terms and abbreviations used in the Notice of Meeting and this Explanatory Memorandum have the following meanings:

"**AIM**" means the AIM Market operated by the London Stock Exchange.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means ASX Limited.

"**Board**" means the board of Directors.

"**Company**" and "**Dwyka**" means Dwyka Resources Limited, ACN 060 938 552.

"**Corporations Act**" means the *Corporations Act 2001* (Commonwealth).

"**DDHL**" means Dwyka Diamonds Holdings Limited, a company incorporated in Mauritius and a wholly owned subsidiary of the Company.

"**Directors**" means the directors of the Company, from time to time.

"**Explanatory Memorandum**" means this explanatory memorandum.

"**KimCor**" means KimCor Diamonds plc.

"**Listing Rules**" means the official listing rules of ASX.

"**General Meeting**" or "**Meeting**" means the general meeting of Shareholders to be held at 98 Colin Street, West Perth, Western Australia at 10:00am (WST) on 20 September 2007 or any adjournment thereof.

"**Notice of Meeting**" means the notice of the Meeting which accompanies the Explanatory Memorandum.

"**Option**" means an option to apply for one fully paid ordinary share in the capital of the Company.

"**Proposed Transaction**" means the transfer of all of the Company's diamond and industrial assets to KimCor, through the acquisition by KimCor of all of the shares in DDHL, in consideration for a controlling shareholding in KimCor, in accordance with Resolution 1.

"**Relevant Stock Market**" means ASX if the Company is listed on ASX, or AIM if the Company is listed on AIM and is not listed on ASX.

"**Resolution**" means a resolution in the Notice of Meeting.

"**Section**" means a section of this Explanatory Memorandum.

"**Shareholders**" means registered holders of Shares.

"**Shares**" means fully paid ordinary shares in the capital of the Company.

"**SGV**" means Swazi Gold Ventures (Pty) Ltd.

"**SwaziGold**" means Swaziland Gold (Pty) Ltd.

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## Schedule 1 - Terms and Conditions of Options to be granted to Advisors

The terms and conditions of the Options proposed to be granted to I Tell AG, Nicholas John Bias and Montagu Stockbrokers Pty Ltd under Resolutions 3, 4 and 5, respectively, are as follows:

1. The Options to be granted under Resolution 3 will expire on 30 June 2008, under Resolution 4 will expire on 30 June 2009 and under Resolution 5 will expire on 30 June 2010.
2. The exercise price of each Option proposed to be granted under Resolution 3 is \$0.95, Resolution 4 is \$0.95 and Resolution 5 is \$0.31.
3. The exercise of each Option will entitle the holder to one fully paid ordinary share in the capital of the Company.
4. The Options may only be exercised after the expiry of the following periods ("**Qualification Period**") and in the following proportions:
  - (a) after 12 months have lapsed from the acceptance date, in respect of not more than one half of the total number of Options granted to the holder; and
  - (b) after 24 months have lapsed from the acceptance date, in respect of the balance of the Options granted,except that an optionholder may exercise all Options in the event of the announcement by the Company of a takeover bid for Shares in the Company in accordance with Chapter 6 of the Corporations Act or a merger by scheme of arrangement in accordance with Part 5.1 of the Corporations Act.
5. Exercise of the Options is effected by completing the "Election Form to Exercise Options" attached to the invitation to apply for the grant of Options, in each case following expiry of the Qualification Period, and delivering it together with the payment of the number of Shares in respect of which the Options are exercised to the registered office of the Company.
6. An optionholder is required to exercise the Option in order to participate in a bonus or entitlement issue of shares made by the Company. Optionholders will be provided with written notice of the terms of the issue to shareholders and afforded that period as determined by the Listing Rules to exercise their option if they wish to participate in the bonus or entitlement issue.
7. If, prior to the expiry of an Option, there is a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Shares subject to the Option and/or exercise price will be adjusted in the manner required by the Listing Rules.
8. All shares issued upon exercise of the Options will, from the date they are issued, rank equally in all respects with the Company's then issued Shares.
9. Shares allotted and issued pursuant to the exercise of an Option will be allotted within the time prescribed by the Listing Rules. The Company will apply for official quotation of the Shares issued pursuant to the exercise of the Options in accordance with the Listing Rules.
10. The Options will lapse if not exercised prior to the expiry date.
11. Application will not be made for official quotation of the Options on ASX or AIM.
12. Options are not transferable except with the prior written approval of the board of Directors.