

# 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: 30 June 2008

Time of Meeting: 10.00 am WST

Place of Meeting: Wandoo Room  
Ground Floor  
Holiday Inn Centre  
788 Hay Street  
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 the Wandoo Room, Ground Floor, Holiday Inn Centre, 788 Hay Street, Perth, Western Australia at 10.00 am (WST) on 30 June 2008.

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. Acquisition of an interest in the Coal Project**

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 Rules 11.1.2 and 7.1 and for all other purposes, the Shareholders hereby approve and agree to:*

- (a) the exercise by the Company of an option that it holds ("**ACRL Option**") to acquire all of the issued shares in the capital of Asian Coal Resources Limited ("**ACRL**");*
- (b) the issue of up to 5,921,885 Shares to Tomori Enterprises Limited ("**Tomori**"), the sole shareholder of ACRL, as part consideration for the exercise of the ACRL Option (the balance of such consideration being the payment to Tomori of a cash amount of US\$1,250,000);*
- (c) the Company, immediately following the exercise of the ACRL Option, directing ACRL to exercise or procure the exercise of options granted to ACRL and its local Filipino partner, MANA Resources Development Corporation ("**MRDC**"), the exercise of which would enable ACRL and MRDC to collectively acquire a 30% interest in two Filipino companies which own the Daguma and Bonanza coal deposits located on the island of Mindanao, The Republic of the Philippines ("**Coal Project**"); and*
- (d) the proposed change to the Company's activities that results from the Proposed Transaction as described in the Explanatory Memorandum."*

<p>The Company will disregard any votes cast on this resolution by Tomori or by an associate of Tomori and 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. Approval of issue of Shares to raise funds to acquire an interest in the Coal Project**

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 hereby approve the issue of up to 42,500,000 Shares to professional and sophisticated investors, on the terms and conditions contained in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any other person who might obtain a benefit 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.

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### **3. Approval of issue of Shares in connection with Services Agreement**

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 hereby approve the issue of up to 11,843,770 Shares to Tomori, on the terms and conditions contained in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by Tomori or by an associate of Tomori and any other person who might obtain a benefit 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.

**BY ORDER OF THE BOARD**



Michael Langoulant  
Company Secretary  
DATED: 28 May 2008

## **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, 5 Ord 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 28 June 2008. 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, 5 Ord 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 the Wandoo Room, Ground Floor, Holiday Inn Centre, 788 Hay Street, Perth, Western Australia at 10.00 am on 30 June 2008 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 the Wandoo Room, Ground Floor, Holiday Inn Centre, 788 Hay Street, Perth, Western Australia at 10.00 am (WST) on 30 June 2008.

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*

On 7 May 2008, Dwyka announced that it had entered into the ACRL Option Agreement, pursuant to which it had obtained the option to acquire all of the issued shares in the capital of ACRL. ACRL and its local Filipino partner, MRDC, are parties to the Project Option Agreements, pursuant to which ACRL and MRDC hold options to acquire up to 100% of the shares in each of DAMI and BERI, which collectively own the Coal Project. Pursuant to the Project Option Agreements, ACRL and MRDC collectively have the ability to acquire an initial interest of 30% in DAMI and BERI and subsequently to increase that interest in further stages, up to a maximum interest of 100% in each company. ACRL is currently the holder of a 40% interest in MRDC and, pursuant to option agreements with each of the remaining MRDC shareholders, has the option to acquire a further 60% interest in MRDC for net book value. ACRL and MRDC are finalizing a shareholders' agreement between them to ensure that the two entities act with a common purpose in relation to the Project.

Both ACRL and MRDC are "special purpose" companies whose only material assets are their respective interests in the Project Option Agreements.

Dwyka is seeking the approval of Shareholders to exercise the ACRL Option and thereby acquire all of the issued shares in the capital of ACRL. The consideration payable in relation to such exercise and acquisition is US\$1,250,000 in cash and the issue of Dwyka Shares to the value of US\$3,000,000 at GBP0.26 per share. Immediately following the acquisition of all of the issued shares in ACRL, Dwyka intends to procure that ACRL exercises its Project Options and that MRDC does likewise. It is anticipated that the total Coal Project costs through to the completion of the initial drilling and feasibility stage, including initial option exercise expenses as well as costs related to further exploration and drilling, equipment purchases and staffing will be in the order of GBP9,000,000. The effect of the exercise of the Project Options by ACRL and MRDC would be that Dwyka at this point will have acquired an initial indirect interest in the Coal Project of 30%.

The Project Option Agreements also permit ACRL and MRDC to increase their interest in the Coal Project up to a maximum of 100% by making additional staged payments in the period from July 2009 to January 2010. The Directors have not as at the date of this Notice considered the prospect of Dwyka acquiring an interest greater than 30% and intend to review that issue as and when thought appropriate having regard to the development of the Coal Project.

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 advanced gold exploration project. These acquisitions have resulted in a significant re-rating of the Company. The Proposed Transaction would allow the Company to continue to diversify into other commodities.

(b) *Structure of Proposed Transaction*

The Proposed Transaction is to be effected by the following:

- Dwyka obtains the approval of Shareholders to the Proposed Transaction in accordance with this Resolution 1, including Shareholder approval to issue Shares to Tomori in connection with the ACRL Option Agreement.
- Dwyka obtains the approval of Shareholders for the equity raising to fund the Proposed Transaction in accordance with Resolution 2.
- Dwyka obtains the approval of Shareholders to issue Shares to Tomori in connection with the Services Agreement in accordance with Resolution 3.
- Once all the approvals contemplated above have been obtained, the following matters occur:
  - Dwyka exercises the ACRL Option and thereby acquires all of the issued shares in ACRL for a consideration comprising a cash payment of US\$1,250,000 and the issue of such number of Shares in the capital of Dwyka that have a total value of US\$3,000,000 (estimated to be approximately 5,921,885 Shares, assuming a deemed price per Share of GBP0.26). The Company has until 18 July 2008 to exercise the ACRL Option.
  - Immediately following such exercise, ACRL exercises the Project Options and MRDC does likewise. The Project Options must also be exercised by no later than 18 July 2008. Upon the exercise of the Project Options, it is anticipated that the Coal Project costs through to completion of the initial drilling and feasibility studies, by which date Dwyka will have an indirect 30% interest in the Coal project, will (including initial option exercise expenses plus costs related to further exploration and drilling, equipment purchases and staffing) be in the order of GBP9,000,000.
  - Upon the exercise of the ACRL Option and the Project Options, the Services Agreement will be deemed to commence and Dwyka will be liable to issue to Tomori such number of Dwyka shares as have a total value of US\$6,000,000 (estimated to be approximately 11,843,770 Shares, assuming a deemed price per Share of GBP0.26). (as explained in Resolution 3).

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

Global demand for coal is currently extremely strong, with correspondingly strong prices being seen in relation to all types of coal from coking to thermal varieties (used mainly in the generation of electricity and for industrial purposes). Accordingly, the Directors believe that the acquisition by the Company of an interest in a coal project is timely and has the capability to add significant value for Shareholders. The acquisition of an interest in the Coal Project is thought by the Directors to be particularly exciting given that, amongst other things:

- the Coal Project has been the subject of significant historical exploration work (including 32 diamond drill holes on the two DAMI blocks), based on which the Company's initial exploration target through an aggressive programme of further drilling is to confirm the existence of between 125 million to 150 million tonnes of coal with a calorific value of between 5,300 and 5,500 kilocalories per kilogram. (The Company notes that the exploration to date has not defined a JORC compliant Mineral Resource, and that there is no certainty that further exploration will result in the determination of a JORC compliant Mineral Resource).
- the Coal Project has the potential to be brought into production in the near-term;
- analysis of the coal from the Coal Project indicates that it is suitable for the export and domestic power markets, as well as for industrial use (cement);
- the Philippines has ready demand for coal for power stations and other coal miners in the Philippines are already exporting similar calorific value coal to India, China and Hong Kong;
- the Coal Project is located close to the coast (approximately 45 kilometres away), making supply to the export markets or in-country power stations feasible; and
- the case of Semirara Mining Corporation ("**Semirara**") shows that a significant, sustainable business can be created in the region through selling coal with very similar specifications to coal from the Coal Project. Semirara is a Filipino company listed on the Philippines Stock Exchange and is capitalised at approximately US\$330 million.

(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:

- **Political risk** – The Coal Project is located in the Philippines, a country thought to be of medium political risk in global terms. Notwithstanding this, the Directors believe that the signing by the Company of the Services Agreement, which will mean that Dwyka receives the benefit of ongoing local facilitation and government and stakeholder liaison services in the Philippines, is an important step in managing this risk (to the extent possible).

- **The coal market** – The economics of the Coal Project are highly dependent on the coal product prices (in Australian dollar terms) that can be achieved. Exchange rates, resource prices, demand and supply may fluctuate and the price of coal cannot be guaranteed.
- **Resource risks** – Whilst the coal deposits and characteristics have been estimated for the Coal Project based on drilling and other work on the deposit, the actual volumes, grade and recoveries of the coal in the deposits may be more or less than these estimates. This may adversely affect the economics of the Coal Project.
- **Development** – The development on the Coal Project will require substantial capital expenditure, experienced personnel and regulatory approvals. Furthermore, there are technical risks with the construction and operation of the processing plants and related infrastructure required to produce the coal products.

There can be no guarantee that the resources and approvals required for development of the Coal Project in a timely fashion will be readily available. Such developments and operations can also be adversely affected by numerous factors outside of the control of Dwyka, including adverse weather, industrial disputes and raw material shortages.

## 1.2 Listing Rule 11.1.2

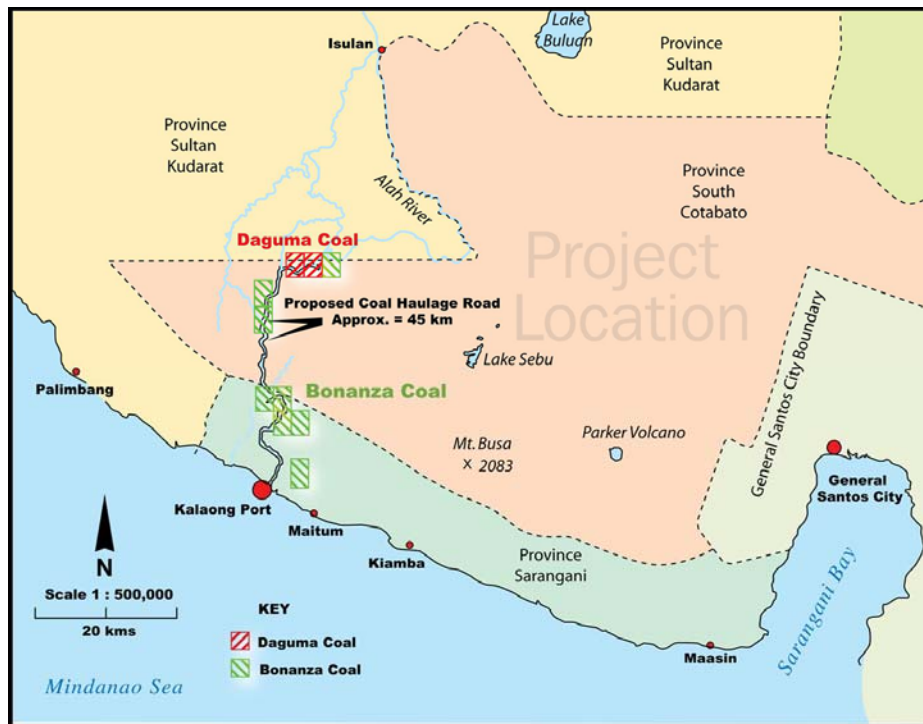
Under Listing Rule 11.1.2, ASX may require a listed company to obtain shareholder approval if a proposed transaction is likely to result in a significant change to the nature or scale of the company's activities.

## 1.3 Information on Coal Project

### General

#### (a) Location

The Project is comprised of 10 Blocks, each covering two minutes of latitude by 1.5 minutes of longitude, i.e. an area of about ten square kilometres (1000 hectares). Two of those Blocks are held by DAMI and constitute the Daguma deposit (shaded in red below), whilst the remaining 8 are held by BERI and constitute the Bonanza deposit (shaded in green below). The total Coal Project area is approximately one hundred square kilometres and the location of the subject Blocks is shown below:



(b) Regional geology

Geologically, the Daguma project areas are in the Cotabato Basin, a large structure covering most of central Mindanao. The basin was infilled mainly by siliciclastics, metasediments, and metavolcanics. The western part of the basin is bounded by the Daguma uplift.

The coal deposits in the prospect area are structurally controlled within the Seven Lakes Embayment, a sub-basin on the South-western edge of the Cotabato Basin. This is an uplift area where massive weathering has exposed outcrops of the coal seams. The prospect area is underlain by about 1500 metres thickness of sandstones, mudstones, conglomerates and coal.

The coal bearing unit consists of interbedded sandstone, mudstone, shale, limestone, and coal beds. The coal beds, ranging in thickness from 8 to 17.5 metres, are in four coal zones within a 220 metre-thick stratigraphic interval.

Summary of Exploration Progress

Exploration work on the Project can be summarised as follows:

- Blocks 380 & 381: Exploration is at an advanced state and a detailed scoping study has been completed by DAMI. In previous work, DAMI and Crew Gold Corporation (“Crew”) drilled 17 and 15 holes respectively. They also conducted surface trenching of outcrop exposures and encountered coal seams up to 17.5 metres thick. Dwyka plans to commence a drilling program to increase the proportion of measured resource and give additional information on coal quality.
- Blocks 382: Mapping has been completed and 6 drill holes have encountered 3 coal seams up to 2 metres thick.
- Blocks 18 & 58: Mapping is complete and 7 drill holes have been completed, encountering 3 coal seams up to 2.39 metres thick.

- Blocks 178, 179, 219 & 220: Mapping and trenching are complete and 3 coal seams up to 5 metres thick have been sampled and sent for analysis.
- Block 300: Reconnaissance prospecting has been completed.

#### Discovery History, Previous Exploration Work and Resource Estimates

The following summary includes Foreign Estimates based on reports by E.O Diomampo (Senior Geologist, BHP); J. Ambucay (exploration geologist), R.M. Collado (Mining Consultant) and L.C. Toquero (Geology Consultant); and A. Manat and B.T. Guingona that are not reported in accordance with the JORC Code guidelines and it is uncertain that following evaluation and/or further exploration the resource or reserve estimates will ever be reported in accordance with the JORC Code.

##### (a) Early work

Early in 1994, Philippines government officials notified the Department of Energy (“DOE”) of numerous burning coal outcrops in the vicinity of the villages of El Tupok and El Dulong. The coal deposits in the Project area were then formally discovered by geologists from the DOE in 1994.

In the mid 1990s the DOE was focussed on renewable energy (largely hydroelectric) and natural gas fired power stations so the coal deposits received little immediate attention. However, in 1997 and 1998, the DOE published a number of reports indicating the potential for large coal deposits in the area and this spurred further exploration interest.

Reconnaissance surveys indicated that the coal outcrops were clustered along the El Dulong Coal Linear, which trends to the south west and was found to be about 2.6 kilometres wide and at least 8.5 kilometres long.

##### (b) Axis and BHP

In 1997, a Philippines company, Axis, was granted a Coal Reconnaissance Permit for exploration over a 600 square kilometre area in South Cotabato, and Sarangani. Axis subsequently obtained a Coal Operating Contract (“COC”) for Exploration covering 15 Blocks, each of about 10 square kilometres. In 1999, a subsidiary of BHP reviewed work on the two northernmost Blocks (now DAMI Blocks 380 and 381) and estimated a non JORC compliant resource of 378 million tonnes of coal.

In March 2000, Geologists James Ambucay, Reinerio M. Collado, and Levitico C Toquero published a report on exploration work on Blocks 380, 381, and 220 and the potential uses of the coal. Significant conclusions were as follows:

- the coal occurs in a number of flat lying seams;
- the coal quality is suitable for power generation and other uses;
- a preliminary coal resource estimate of 266 million tonnes;
- a mineable reserve of 225 million tonnes; and
- the coal would be easily mineable with a truck and shovel operation.

The overall recommendation can be summarised as further work to develop the exploration prospects into a significant mining operation.

Axis failed to comply with the conditions set by the DOE and its COC expired in July 2002.

(c) DAMI and Crew

DAMI was granted a COC over seven of the blocks in November 2002 and after field exploration work the COC was reduced to Blocks 380 and 381, which are still currently held. In the years 2003 to 2005, DAMI undertook geological mapping, trenching and test pitting followed by a drill program of 17 holes. The average depth was 72 metres and the holes were generally located close to the coal outcrop boundary.

In 2006, Crew entered into an option agreement with DAMI and completed a 15 hole drilling program. The holes targeted coal further away from the outcrop than the DAMI holes and the average drilling depth was about 133 metres. Crew's option agreement subsequently expired.

(d) BERI

BERI was granted a COC over eight Blocks (282, 18, 58, 178, 179, 219, 220, and 300) in May 2005. Most of the exploration work to date has been done on the Blocks nearest the DAMI Blocks 380 and 381.

On Block 382, mapping was completed and six holes with an average depth of 57 metres had been drilled by early 2006. Mapping was also completed on Blocks 18 and 58, and seven holes had been drilled by early 2007. Blocks 178, 179, 219 and 220 have also been mapped and trenching has identified at least three coal seams which will be investigated by future drilling.

Coal Characteristics

The Project deposits are made up of lignitic/sub-bituminous coal broadly classified as being of low-medium calorific value. However, the coal is suitable for power stations and industrial purposes and is very similar to that produced by Semirara. A summary of the Daguma coal characteristics (and a comparison with the equivalent Semirara coal) is set out below:

	Daguma coal quality as received	Daguma coal air dried	Semirara coal air dried mid
Kcal/kg	4,270	5,390	5,300
Ash	5.59%	7.11%	7.50%
Sulphur	0.61%	0.76%	0.60%
Volatile matter	37.23%	47.13%	38.00%
Fixed carbon	30.98%	39.12%	38.50%
Total moisture	26.10%	Not applicable	24.00%
Residual moisture	Not applicable	6.64%	13.00%
Hardgrove index	Not applicable	55.81	45

*The technical exploration and mining information contained in this Notice has been reviewed and approved by Ed Nealon. Mr Nealon is a Dwyka Resources Limited Director and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and as a qualified person under the AIM Guidance Note for Mining, Oil and Gas Companies. Mr Nealon is a member of the Australian Institute of Mining and Metallurgy. Mr Nealon consents to the inclusion in this announcement of such information in the form and context in which it appears.*

*Shareholders are referred to Annexure A hereto for an important notice regarding non-JORC estimates.*

## 1.4 Effect of the Proposed Transaction

### (a) *Effect on Capital Structure*

The Company will issue securities to Tomori in connection with the ACRL Option. Further, to fund the Proposed Transaction and subject to the passing of Resolution 2, the Company will be issuing Shares to professional and sophisticated investors which are unrelated to the Company. Finally, the Company has entered into the Services Agreement, pursuant to which Tomori will receive Shares in consideration of providing services in relation to the Coal Project over its life. The table below sets out the capital structure of the Company before and after the issuing of Shares in accordance with Resolutions 1, 2 and 3.

	Prior to Placement	After Placement and other new Share issues
Ordinary Shares	131,344,206	191,609,861
Options Exercisable at \$0.52 by 30/06/10	125,000	125,000
Exercisable at \$0.95 by 30/06/09	450,000	450,000
Exercisable at \$0.31 by 30/06/10	500,000	500,000

### (b) *Effect on board composition*

It is not anticipated that the Proposed Transaction will have any effect on the Company's board composition.

### (c) *Intentions of Dwyka*

As at the date of this Notice, Dwyka's intention is to, aggressively pursue a drilling campaign designed to outline a JORC-compliant coal resource and to acquire an initial 30% indirect interest in the Coal Project. Based on the results of this programme, the Board will assess whether or not to elect to increase the Company's interest in the Project beyond the initial 30% interest the subject of the Proposed Transaction. Should an election be made to increase the Company's interest Dwyka will likely conduct one or more equity fundraisings to ensure that it has sufficient

funds to meet the additional staged payments that it would be required to make under the Project Option Agreements.

(d) *Financial Information*

Pro forma balance sheets as at 31 December 2007 for the Company on the basis that the Proposed Transaction is completed, all the Share issues contemplated in this Notice of Meeting are approved and made, the Company completes its initial drilling and feasibility studies and acquires an interest of 30% in the Coal Project are shown below:

**Dwyka Resources Limited**  
**Pro-forma Consolidated Balance Sheet**  
**31 December 2007**

	<b>Dwyka</b> <b>31 Dec 2007</b> <b>Audit reviewed</b> <b>\$'000s</b>	<b>Dwyka</b> <b>31 Dec 2007</b> <b>Pro-forma adjusted</b> <b>\$'000s</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,673	4,471
Trade and other receivables	157	157
<b>Total Current Assets</b>	<b>2,830</b>	<b>4,628</b>
<b>NON-CURRENT ASSETS</b>		
Equity accounted investments	18,598	18,598
Available-for-sale financial assets	156	156
Other non-traded financial assets	-	24,801
Property, plant & equipment	119	4,707
Exploration, evaluation and mining properties	11,065	11,065
<b>Total Non-Current Assets</b>	<b>29,938</b>	<b>59,327</b>
<b>TOTAL ASSETS</b>	<b>32,768</b>	<b>63,955</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	475	475
Provisions	7	7
<b>Total Current Liabilities</b>	<b>482</b>	<b>482</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	443	443
<b>Total Non-Current Liabilities</b>	<b>443</b>	<b>443</b>
<b>TOTAL LIABILITIES</b>	<b>925</b>	<b>925</b>
<b>NET ASSETS</b>	<b>31,843</b>	<b>63,030</b>
<b>EQUITY</b>		
Contributed equity	76,802	107,989
Reserves	2,052	2,052
Accumulated losses	(47,011)	(47,011)
<b>Total parent entity interest</b>	<b>31,843</b>	<b>63,030</b>
<b>TOTAL EQUITY</b>	<b>31,843</b>	<b>63,030</b>

#### Pro-forma assumptions

1. Dwyka pays \$US1.25 million plus the issue of 5,921,885 Dwyka Shares to Tomori upon exercising and acquiring 100% of ACRL.
2. Dwyka issues 42,500,000 Dwyka Shares to raise GBP11.05 million to fund the Coal Project through to completion of the initial drill and feasibility program and the acquisition of a 30% interest; plus to provide additional working capital to fund exploration activities on other projects.
3. Costs of the capital raising are 5% being GBP552,500.
4. Dwyka provides GBP9 million in loan funding to ACRL to fund acquisition of a 30% interest in the Coal Project; ongoing drilling and feasibility studies and initial project capital expenditure.
5. Dwyka issues 11,843,770 Dwyka Shares to Tomori in relation to the ongoing Services Agreement.
6. All \$US amounts have been converted to AUD at \$0.92 USD/AUD exchange rate.
7. All GBP amounts have been converted to AUD at \$2.05 GBP/AUD exchange rate.
8. Dwyka's interest in the Coal Project is accounted for as Other non-traded financial assets; being the consolidated investment in the Coal Project holding companies.

### **1.5 Proposed issue of Shares to Tomori in connection with ACRL Option**

Resolution 1 also seeks the approval of Shareholders for the issue of Shares to Tomori 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 requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares:

- (a) The maximum number of Shares to be issued pursuant to Resolution 1 is 5,921,885;
- (b) The issue of the Shares will occur no later than three months after the date of the Meeting, or such later date approved by ASX;
- (c) The Board presently intends to issue the Shares pursuant to Resolution 1 as one allotment. However, the Board reserves the right to issue the Shares progressively;
- (d) The deemed issue price of the Shares will be GBP0.26;
- (e) The allottee is Tomori Enterprises Limited;
- (f) The Shares to be issued by the Company are fully paid ordinary shares in the Company and rank equally with, and are on the same terms as, the existing Shares on issue; and
- (g) No funds are being raised pursuant to the issue of Shares in accordance with Resolution 1. The Shares are being issued as partial consideration for the Company exercising its option to acquire all of the issued shares in ACRL as part of the Proposed Transaction.

### **1.6 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. Resolution 2 - Approval of issue of Shares to professional and sophisticated investors**

Resolution 2 seeks the approval of Shareholders for the issue of Shares to professional and sophisticated investors which are unrelated to the Company 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 requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares:

- (a) The maximum number of Shares to be issued pursuant to Resolution 2 is 42,500,000;
- (b) The issue of the Shares will occur no later than three months after the date of the Meeting, or such later date approved by ASX;
- (c) The Board presently intends to issue the Shares pursuant to Resolution 2 as one allotment. However, the Board reserves the right to issue the Shares progressively;
- (d) The issue price of the Shares will be GBP0.26;
- (e) The allottees are professional and sophisticated investors which are unrelated to the Company;
- (f) The Shares to be issued by the Company are fully paid ordinary shares in the Company and rank equally with, and are on the same terms as, the existing Shares on issue; and
- (g) Of the funds being raised pursuant to the issue of the Shares to the professional and sophisticated investors it is estimated that GBP9 million will be used to fund the consideration for the Proposed Acquisition while the balance will be used as general working capital to pay for costs of the issue and to advance the Company's other exploration projects.

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## **3. Resolution 3 - Approval of issue of Shares in connection with Services Agreement**

Resolution 3 seeks the approval of Shareholders for the issue of Shares to Tomori for the purposes of Listing Rule 7.1. On 19 May 2008, the Company entered into the Services Agreement with Tomori, pursuant to which Tomori has agreed to provide or procure various services in connection with the Coal Project over the life of the project. The scope of those services includes:

- the identification of and negotiation with international parties for off-take agreements in relation to the coal planned to be produced by the Coal Project;

- utilization of Tomori's experience in the establishment and financing of emerging market resource projects generally and specifically in South East Asia to assist in relation to investor relations and fund raising in connection with the Coal Project;
- advice and assistance to the Board in the establishment of resource projects and infrastructure requirements specific to South East Asia;
- liaison with key project stakeholders both locally and internationally (and in particular those unfamiliar with doing business in the Philippines) and other persons having an interest in or being affected by the Coal Project;
- liaison with international and local providers of services to the Coal Project; and
- assisting the Coal Project's operating companies with submissions and filings to the relevant government departments and agencies in the Philippines.

to ensure, so far as it is possible, the smooth running of the Coal Project in a manner consistent with all applicable rules and regulations.

Having regard to the complexities of projects such as the Coal Project (including in relation to doing business in the Philippines) and Tomori's expertise in providing services similar to those contemplated in the Services Agreement, the Directors believe that securing Tomori's assistance for the life of the Coal Project is a key component in ensuring that the Coal Project can be implemented as smoothly as possible.

The Shares contemplated to be issued to Tomori under Resolution 3 constitute the entire consideration payable to Tomori in connection with the Services Agreement (and Tomori will be responsible for any expenses incurred by it in connection with the provision of the relevant services).

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 requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares:

- (a) The maximum number of Shares to be issued pursuant to Resolution 3 is 11,843,770;
- (b) The issue of the Shares 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 issue the Shares pursuant to Resolution 3 as one allotment. However, the Board reserves the right to issue the Shares progressively;
- (d) The deemed issue price of the Shares will be GBP0.26;
- (e) The allottee is Tomori Enterprises Limited;
- (f) The Shares to be issued by the Company are fully paid ordinary shares in the Company and rank equally with, and are on the same terms as, the existing Shares on issue; and
- (g) No funds are being raised pursuant to the issue of Shares in accordance with Resolution 3. The Shares are being issued as consideration for the Company being

provided with services in connection with the Coal Project over the life of the project.

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## 4. Glossary of Terms

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

"**ACRL**" means Asia Coal Resources Limited.

"**ACRL Option Agreement**" means the agreement dated 7 May 2008 between Dwyka and Tomori, pursuant to which Dwyka has the option to acquire all of the issued shares in the capital of ACRL.

"**AIM**" means the AIM Market of the London Stock Exchange.

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

"**ASX**" means ASX Limited.

"**BERI**" means Bonanza Energy Resources Inc., the owner of the Bonanza coal deposit.

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

"**Coal Project**" means the Daguma and Bonanza coal deposits held by DAMI and BERI, respectively, together with all right, title and interest of DAMI and BERI in connection with such deposits and any associated data, information, reports, plant, equipment and other infrastructure.

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

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

"**DAMI**" means Daguma Agro-Minerals Inc., the owner of the Daguma coal deposit.

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

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

"**General Meeting**" or "**Meeting**" means the general meeting of Shareholders to be held at the Wandoo Room, Ground Floor, Holiday Inn Centre, 788 Hay Street, Perth, Western Australia at 10.00 am (WST) on 30 June 2008 or any adjournment thereof.

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

"**Mt**" means million tonnes.

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

"**Project Option Agreements**" means the:

- (a) Exclusive Option Agreement dated 18 January 2008 between the shareholders of DAMI (on one hand) and ACRL and MRDC (on the other hand), pursuant to which ACRL and MRDC have been granted options to acquire up to 100% of the shares in the capital of DAMI; and
- (b) Exclusive Option Agreement dated 18 January 2008 between the shareholders of BERI (on one hand) and ACRL and MRDC (on the other hand), pursuant to which

ACRL and MRDC have been granted options to acquire up to 100% of the shares in the capital of BERI.

**"Project Options"** means the options held by ACRL and MRDC, collectively, to acquire an initial 30% interest in each of DAMI and BERI, with the opportunity to increase that interest up to a maximum of 100%, in accordance with the Project Option Agreements.

**"Proposed Transaction"** means the:

- (a) exercise by the Company of an option to acquire all of the issued shares in the capital of ACRL; and
- (b) subsequent exercise by ACRL and MRDC of the Project Options, such that Dwyka will acquire an initial indirect interest of 30% in relation to the Coal Project.

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

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

**"Services Agreement"** means the agreement dated 19 May 2008 between the Company and Tomori in connection with the provision by Tomori of certain services in relation to the Coal Project.

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

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

## ANNEXURE A

### IMPORTANT NOTICE REGARDING NON-JORC ESTIMATES

1. The Foreign Estimates based on reports by E.O Diomampo (Senior Geologist, BHP); J. Ambucay (exploration geologist), R.M. Collado (Mining Consultant) and L.C. Toquero (Geology Consultant); and A. Manat and B.T. Guingona are not reported in accordance with the JORC Code guidelines and it is uncertain that following evaluation and/or further exploration that the resource or reserve estimates will ever be reported in accordance with the JORC Code.
2. The Foreign Estimates are extracted from the following reports:
  - a. BHP Report entitled "Cotabato Coal Project – Site visit Report"; report prepared by E.O Diomampo (Senior Geologist, BHP) and approved by H.M Wolf (General Manager, BHP Eng'g. Phils., Inc.) on 7/12/1999;
  - b. Cotabato Coal Project Report entitled "Concluded exploration work and the potentials for Mine-Mouth Power generation"; report prepared by J. Ambucay (exploration geologist), R.M. Collado (Mining Consultant) and L.C. Toquero (Geology Consultant) on 1/3/2000;
  - c. Geologic Report on the Dauma Cotabato Coal Deposit by L.C. Toquero (Geology Consultant) on 21/10/2004; and
  - d. Proposed Five Year Work Program for Daguma Agro-Minerals, Incorporated; prepared by A. Manat and B.T. Guingona on 15/10/2007.
3. Dwyka believes the Foreign Estimates are relevant to Shareholders and the market generally as the reports and Foreign Estimates were prepared by qualified personnel with suitable experience on the Cotabato coal basin and coal deposits in general; the reports were all prepared within the last 10 years and although the Foreign Estimates are not JORC compliant the general parameters used for the estimations are consistent with the guidelines for coal resource estimations defined by the 2003 edition of the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves. The Foreign Estimates will be disclosed in the interests of maintaining an informed market and compliance with Dwyka's continuous disclosure obligations.
4. The reports on which the Foreign Estimates are based were prepared by E.O Diomampo (Senior Geologist, BHP); J. Ambucay (exploration geologist), R.M. Collado (Mining Consultant) and L.C. Toquero (Geology Consultant); and A. Manat and B.T. Guingona.

The following historic work programs were undertaken in preparation of these reports:

Coal outcrop point sampling and trench and pit sampling was carried out. The drilling undertaken was predominantly HQ and NQ core drilling, with an unorientated core. Drill recovery was recorded during drilling. Standard coal logging terminology and procedures were used and the coal bed thickness and intervals were measured. In relation to sub-sampling, the core was sawn and one half of the core was kept as a record with the other half being submitted for coal quality analysis.

All samples were submitted to the Batangas Coal Lab of the Philippine National Oil Company (PNOC) Coal Corporation. These lab tests were done in accordance with the American Society for Testing and Materials (ASTM) Standards.

The location of data points and data spacing was conducted in accordance with the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves prepared by the Coalfields Geology Council of New South Wales and the Queensland Mining

Council, 2003 Edition. The following resource estimation parameters were used in preparation of the BHP report:

- a. "Inferred Inventory Coal and Inferred Coal Resources may be estimated using data obtained from Points of Observation up to 4 kilometres apart (2 km spacing used by BHP estimation).
- b. Trends in coal thickness and quality should not be unreasonably extrapolated beyond the last line of Points of Observation.
- c. Indicated Inventory Coal and Indicated Coal Resources may be estimated using data obtained from Points of Observation normally less than 1 kilometre apart, but the distance may be extended if there is sufficient technical justification to do so, for example, if supported by geo-statistical analysis.
- d. Trends in coal thickness and quality should not be extrapolated more than half the distance between Points of Observation.
- e. Measured Inventory Coal and Measured Coal Resources may be estimated using data obtained from Points of Observation normally less than 500 metres apart, but the distance may be extended if there is sufficient technical justification to do so, for example, if supported by geo-statistical analysis.
- f. Trends in coal thickness and quality should not be extrapolated more than half the distance between Points of Observation."

The following work program parameters were used in development of the five year work program for Daguma Agro-Minerals:

- a. "In-situ" Reserves equals to Measured Reserves plus  $2/3$  of Indicated Reserves.
- b. Inferred Reserves within 600 to 1000m from the observed data points and drill holes or 400m from the outer limited of the Indicated Reserves. Indicated Reserves within 200m to 600m radius from observed data point, outcrop and drill hole or 400m from the outer limited of the Measured Reserves.
- c. Measured Reserves within 200m from observed data point or coal outcrop and drill hole."

Dwyka believes that the foregoing demonstrates that sufficient historical work has been undertaken to confirm the reliability of the Foreign Estimates.

5. Dwyka believes the Foreign Estimates are material because they are fundamental to an understanding of the mineralisation for the Coal Project. Additionally, the reports and Foreign Estimates were prepared by qualified personnel with suitable experience on the Cotabato coal basin and coal deposits in general; the reports were all prepared within the last 10 years and although the Foreign Estimates are not JORC compliant the general parameters as defined by the JORC were used for the estimations.

Dwyka intends to undertake a JORC compliant drilling and sampling program which will enable JORC compliant resource evaluations. Dwyka intends to fund this program through a placement of Shares to professional and sophisticated investors which are unrelated to the Company. Dwyka will aim to produce a JORC compliant Mineral Resource within the next two year period, based upon a scoping study that has been lodged with the Philippine government by the current project owners.

Further, Dwyka considers that there is no foreseeable negative impact on Dwyka resources currently devoted to Dwyka's other exploration activities.

6. The Foreign Estimates used methodologies and resource classification categories in accordance with the policies of the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves prepared by the Coalfields Geology Council of New South Wales and the Queensland Mining Council, 2003 Edition.
7. An Independent Technical Valuation report dated 5 April 2008 was undertaken by Kable Resources Associates Pty Ltd in relation to the Coal Project.
8. Dwyka intends to bring the Foreign Estimates into compliance with the JORC Code through a drilling and sampling program currently being compiled by Dwyka which will enable JORC compliant Mineral Resource evaluations. The work program is aimed at enabling resource estimations (inferred, indicated and measured Mineral Resource) within the next 2 years dependent on the availability of suitable drill rigs, geophysical surveying and analytical laboratories.
9. This Notice is consistent with the guidance contained in the Companies Updates numbered 11/07 and 05/04.
10. A competent person's statement accepting responsibility for the accuracy of the information contained within this Notice is included.
11. The ASX has granted a waiver to Listing Rule 5.6 to allow Dwyka to disclose the Foreign Estimates.