

DWYKA DIAMONDS LIMITED
ACN 060 938 552

NOTICE OF GENERAL MEETING
and
EXPLANATORY MEMORANDUM

Date of Meeting: 5 January 2007
Time of Meeting: 10.00 am
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 DIAMONDS LIMITED
ACN 060 938 552

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Dwyka Diamonds Limited ACN 060 938 552 ("**Company**") will be held at the 98 Colin Street, West Perth, Western Australia at 10.00 am on 5 January 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

1. Cancellation of Options under the 2003 Option Plan and grant of Options to employees of the Company

To consider and, if thought fit, to pass, the following as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1, Listing Rule 6.23 and for all other purposes, Shareholders approve and authorise the cancellation of 700,000 Options granted under the 2003 Dwyka Diamonds Option Plan (which was approved by shareholders on 28 November 2003) on the terms and conditions set out in the Explanatory Memorandum and approve and authorise the grant to employees of the Company of up to 700,000 Options, each exercisable on or before 30 June 2010, at a price determined by the Board, but which will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the Options will be granted, upon the terms and conditions specified in the Explanatory Memorandum and to allot and issue up to 700,000 shares in the capital of the Company on the valid exercise of those Options."

<p>The Company will disregard any votes cast on this resolution by a person who holds an Option that is the subject of this resolution, a person who may participate in the proposed grant and a person who might obtain a benefit if the resolution is passed and any associate of such persons. However, the Company need not disregard a vote if it is cast by that person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a 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. Cancellation of Options under the 2003 Option Plan and grant of Options to Cedric Bredenkamp

To consider and, if thought fit, to pass, the following as an **ordinary resolution**:

"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 6.23, Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise the cancellation of 250,000 Options granted to Cedric Bredenkamp under the 2003 Dwyka Diamonds Option Plan (which was approved by shareholders on 28 November 2003) on the term and conditions set out in the Explanatory Memorandum and approve and authorise the grant of up to 250,000 Options, each exercisable on or before 30 June 2010 at a price determined by the Board, but which will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the Options will be granted, to Cedric Bredenkamp (or his Nominee) on the terms and conditions set out in the Explanatory Memorandum and to allot and issue up to up to 250,000 shares in the capital of the Company on the valid exercise of those Options."

The Company will disregard any votes cast on this resolution by any person who holds an Option that is the subject of this resolution and a person who is entitled to receive securities in accordance with this resolution and any associate of such persons. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a 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: 17 November 2006

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 10.00 am on 3 January 2007. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

DWYKA DIAMONDS LIMITED
ACN 060 938 552

PROXY FORM

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

I/We _____

of _____

being a shareholder/(s) of Dwyka Diamonds 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 5 January 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 DIAMONDS 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 10.00 am on 5 January 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 this General Meeting are set out below.

1. Background to Resolutions 1 and 2

The Company has established share and option plans ("**Incentive Plans**") to ensure that it has appropriate mechanisms to continue to attract and retain the services of directors and employees of a high calibre. The Company acknowledges that its directors, employees and consultants have been, and will continue to be, instrumental in its growth.

The Incentive Plans have been used by the Company as part of the remuneration planning for executive directors and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the company's circumstances and goals.

The 2003 Option Plan was approved by Shareholders on 28 November 2003. A summary of the 2003 Option Plan is in Schedule 1.

Since the establishment of the 2003 Option Plan and the offer of Options under that plan, the Company's financial position and circumstances have changed materially and the Company has undergone considerable change. As a result of these changes, the Options offered and granted under the 2003 Option Plan have not proved to be a valuable reward for services provided to the Company.

Some employees and Directors of the Company were granted Options under the 2003 Option Plan with an exercise price of \$0.52. These Options granted under the 2003 Option Plan expire on 30 June 2007 ("**2003 Options**"). The exercise price of the 2003 Options is similar to the price at which the Shares are currently trading. Accordingly, the Company wishes to cancel the 2003 Options and grant new Options to the previous optionholders on the terms and conditions as set out in Schedule 2.

The holders of the 2003 Options have been, and will continue to be, instrumental in the growth of the Company. The purpose of Resolutions 1 and 2 is to ensure that the Company can:

- (a) reward the holders of 2003 Options for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate and generate loyalty from the holders of 2003 Options; and
- (d) assist to retain the services of the holders of 2003 Options.

2. Resolutions 1 and 2 - Cancellation of Options under 2003 Option Plan

2.1 Listing Rule 6.23.2

Listing Rule 6.23.2 provides that the Options can be cancelled for consideration provided shareholder approval has been obtained.

The Company considers that the agreement between the Company and the optionholders to issue new Options after the cancellation of the original Options may be viewed as consideration for the purposes of the Listing Rules. Accordingly, the Company is seeking Shareholder approval for the cancellation of the 2003 Options granted under the 2003 Option Plan.

2.2 Listing Rule 6.23.3

Listing Rule 6.23.3 provides that a change to the terms of options which has the effect of increasing the period for exercise cannot be made. Listing Rule 6.23.5 allows ASX to consider separate transactions as part of the same commercial transaction if those transactions have the effect of increasing the period of exercise of options.

The cancellation of the Options and the grant of the new Options may, by virtue of Listing Rule 6.23.5, be considered part of the same transaction and therefore be a change which has the effect of increasing the period of exercise of the Options.

The Company has sought and ASX has granted the Company a waiver from Listing Rule 6.23.3. The waiver allows the Company to seek shareholder approval to cancel the Options and to grant the new Options in accordance with Resolutions 1 and 2.

3. Resolution 1 - Grant of Options to employees

3.1 Listing Rule 7.1

With regard to the grant of 700,000 new Options, the shareholder approval obtained for the 2003 Option Plan has expired in accordance with Listing Rule 7.2, exception 9.

Accordingly, shareholder approval in accordance with Listing Rule 7.1 is sought.

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.

Subject to the passing of Resolutions 1 and 2, the Company proposes to grant a total of 950,000 Options on the terms and conditions set out in Schedule 2. Included in the 950,000 Options, the Company has issued a conditional invitation, subject to the passing of Resolution 2, to Cedric Bredenkamp (the Company's Managing Director - South African operations) to accept the grant of 250,000 Options. Resolution 1 seeks approval to grant up to 700,000 Options to employees and Resolution 2 seeks approval to grant up to 250,000 Options to Mr Bredenkamp.

3.2 Listing Rule 7.3

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the proposed grant of Options:

- (a) The maximum number of Options to be granted pursuant to Resolution 1 is 700,000 Options;
- (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 1 as one allotment. However, they reserve the right to grant the Options progressively;
- (d) The Options will be granted for no consideration. The exercise price of the Options will be determined by the Board, but will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the Options are granted;
- (e) The allottees of the Options will be employees of the Company;
- (f) The terms of the Options are set out in Schedule 2; and
- (g) No funds will be raised by the granting of the Options pursuant to Resolution 1. However, when the Options are exercised, the funds raised by the issue of those shares will be used for working capital purposes, as the Board thinks fit.

4. Resolution 2 - Grant of Options to Cedric Bredenkamp

4.1 Details of proposed grant of Options to Cedric Bredenkamp

The Company proposes to grant 250,000 Options to the Managing Director - South African operations of the Company, Cedric Bredenkamp, on the terms and conditions set out in Schedule 2. Mr Bredenkamp may renounce the Options offered to him in favour of his spouse, a body corporate in which Mr Bredenkamp holds and beneficially owns not less than 50% of the issued voting share capital or the trustee of a trust in which Mr Bredenkamp is a beneficiary or object or the trustee or a trust in which Mr Bredenkamp is a member ("**Nominee**").

If Shareholders approve Resolution 2, 250,000 Options granted to Cedric Bredenkamp under the 2003 Option Plan will be cancelled.

The number of Options proposed to be granted to Cedric Bredenkamp, or his Nominee, reflects the level of commitment provided by Mr Bredenkamp, taking into account his responsibilities and time commitments to the Company.

The exercise price of the Options offered to Cedric Bredenkamp is to be determined by the Board, but will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the Options are granted.

The Options to be granted pursuant to Resolution 2 are in addition to the fee and remuneration package payable by the Company to Cedric Bredenkamp. In calculating the fee and remuneration package provided to Cedric Bredenkamp as set out in section 4.2(g) of the Explanatory Memorandum, the Board has taken into consideration the grant of Options proposed in Resolution 2. The Board considers that the appropriate remuneration package for Cedric Bredenkamp comprises both the remuneration set out in section 4.2(g) of the Explanatory Memorandum and the Options to be granted if Resolution 2 is passed by shareholders. Given the size of the Company, the Board considers it appropriate for part of the remuneration package to comprise non-cash, incentive-based remuneration.

4.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Cedric Bredenkamp is a related party and the grant of Options to Cedric Bredenkamp, or his Nominee, constitutes the giving of a financial benefit. While the grant of the Options forms part of the Mr Bredenkamp's remuneration package and may therefore fall within the reasonable remuneration exception, the Company is seeking Shareholder approval of the grant of the Options.

In accordance with the requirements of Chapter 2E, and in particular with section 219, of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Options to Cedric Bredenkamp:

- (a) Cedric Bredenkamp is a related party of the Company to whom proposed Resolution 2 would permit a financial benefit to be given;
- (b) the nature of the financial benefit to be given to Cedric Bredenkamp is the grant of 250,000 Options exercisable at a price determined by the Board, but which will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the Options are granted, on or before 30 June 2010;
- (c) the terms of the Options which will be granted to Cedric Bredenkamp are set out in Schedule 2 to this Explanatory Memorandum;
- (d) the Options will be granted for no cash consideration and accordingly, no funds will be raised by the grant of the Options to Cedric Bredenkamp. The funds raised from time to time due to purchase of Shares issued as a result of the exercise of the Options will be used for working capital purposes, as the Board thinks fit;
- (e) as at the date of this Notice, the capital structure of the Company is as follows:

Capital	Number
Ordinary shares	93,737,135
Options (unquoted) (\$0.52 exercisable on or before 30 June 2007)	950,000
Options (unquoted) (\$1.00 exercisable on or before 30 June 2009)	1,000,000
Convertible Notes (unquoted) (each convertible into a maximum of 2,778 shares at GBP0.36 per share on or before 22 June 2010)	1,000 (convertible into 2,778,000 Shares)
Total ordinary shares if all options and convertible notes on issue are exercised	98,465,135

If Shareholders approve Resolutions 1 and 2 and all 950,000 Options in relation to Resolutions 1 and 2 are granted, as contemplated by this Notice, the issued capital of the Company would be as follows:

Capital	Number
Ordinary shares	93,737,135
Options (unquoted) (\$0.52 exercisable on or before 30 June 2010)	950,000
Options (unquoted) (\$1.00 exercisable on or before 30 June 2009)	1,000,000
Convertible Notes (unquoted) (each convertible into a maximum of 2,778 shares at GBP0.36 per share on or before 22 June 2010)	1,000 (convertible into 2,778,000 Shares)
Total ordinary shares if all options and convertible notes on issue are exercised	98,465,135

- (f) as at the date of this Notice, Cedric Bredenkamp holds the following securities in the Company:

Recipient Director	Number of Shares held Directly	Number of Shares held Indirectly	Number of Options held Directly	Number of Options held Indirectly
Cedric Bredenkamp	12,660	nil	750,000	nil

If Shareholders approve Resolution 2 and all Options are granted as contemplated by this Notice, Cedric Bredenkamp will hold the following securities in the Company, representing 0.81% of the issued capital of the Company based on the existing number of Shares as at the date of this Notice, or 0.77% based on the existing number of Shares as at the date of this Notice and assuming all existing Options and convertible notes are exercised:

Recipient Director	Number of Shares held Directly	Number of Shares held Indirectly	Number of Options held Directly	Number of Options held Indirectly
Cedric Bredenkamp	12,660	nil	750,000	nil

- (g) details of Cedric Bredenkamp's remuneration for the year ended 30 June 2006 (based on information extracted from the Company's 2006 Annual Report) are as follows:

Recipient Director	Directors' Fees (\$)	Salary & consultancy fees (\$)	Super - annuation (\$)	Non-monetary benefits (\$)	Equity Options (\$)	Total (\$)
Cedric Bredenkamp	35,000	149,641	nil	nil	23,464	208,105

Details of the estimated remuneration payable to Cedric Bredenkamp for the year beginning 1 July 2006 are as follows:

Recipient Director	Directors' Fees (\$)	Salary & Consultancy fees(\$)	Super - annuation (\$)	Non-monetary benefits (\$)	Equity Options (\$)	Total (\$)
Cedric Bredenkamp	35,000	150,000	nil	nil	59,134	244,134

- (h) the Options are being granted for no consideration. The exercise price of the Options will be determined by the Board, but will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the options are granted;
- (i) during the last 12 months before the date of lodgement of this Notice with the ASIC, the highest trading price of the Shares was \$0.945 on 13 March 2006 and the lowest trading price of the Shares was \$0.48 on 14 November 2006. The last sale price of the Shares before this Notice of Meeting was lodged with the ASIC, was \$0.48 per Share on 14 November 2006;
- (j) the primary purpose of the grant of the Options to Cedric Bredenkamp is to provide a reward and an incentive to Cedric Bredenkamp. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options proposed by Resolution 2;
- (k) the grant of Options to Cedric Bredenkamp is a more cost effective incentive for the Company as opposed to the payment of cash compensation;
- (l) Cedric Bredenkamp has a material personal interest in the outcome of Resolution 2, as the recipient of the Options proposed to be granted;
- (m) Cedric Bredenkamp does not wish to make a recommendation to Shareholders about Resolution 2 because he has an interest in the outcome of that Resolution, as set out in paragraph (l) above;
- (n) all Directors, apart from Cedric Bredenkamp, recommend to Shareholders that they approve Resolution 2. These Directors do not have an interest in the outcome of Resolution 2 except as Shareholders of the Company.
- (o) a valuation of the Options proposed to be granted to Cedric Bredenkamp under the Share Plan has been calculated by HLB Mann Judd using the Black and Scholes Option Pricing Model and based upon the following assumptions:

- the underlying value of each share in the Company is based on the closing share price of \$0.52 as at 9 November 2006;
- Risk free rate of return – 5.88% (based on the 5 bond indicator rate as at 8 November 2006);
- share price volatility of 71.31%;
- exercise price of the Options is yet to be determined but anticipated to be \$0.52 per Option, being not less than the weighted average of the prices at which the shares were trading on the Relevant Stock Market during the five day trading period immediately before 9 November 2006); and
- Option expiry date: 30 June 2010.

Based on the above factors, the Black and Scholes Option Pricing Model attributes a theoretical value to each Option of \$0.141.

The Black and Scholes Option Pricing Model assumes that the equity instruments the subject of the valuation can be sold on a secondary market. The terms and conditions of the Options states that no application will be made for the Shares to be listed for official quotation on ASX or AIM, until certain milestones are met. Accordingly a discount for lack of marketability is required to determine an indicative fair value of the options. In arriving at a discount factor of 15%, HLB Mann Judd considered:

- that discounts have traditionally been applied in the range of 10-30% to reflect the non-negotiability of unlisted equities; and
- the fact that the securities will be unlisted.

HLB Mann Judd has calculated the benefit of the cancellation of the Options granted under the 2003 Option Plan and the grant of the new Options, based on a discount factor of 15% applied to the theoretical valuation of the Options, to be \$0.14;

- (p) additional information in relation to Resolution 2 is set out throughout this Explanatory Memorandum. Shareholders should therefore read the Explanatory Memorandum in its entirety before making a decision on how to vote on Resolution 2;
- (q) the Company will incur no liabilities or costs in respect of the proposed grant of the Options other than the fees payable for quotation of the Shares upon exercise of the Options; and
- (r) neither the Board nor the Company is aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 2, other than as stated in this Explanatory Memorandum.

4.3 Listing Rule 10.11

Listing Rule 10.11 provides, in essence, that a listed company may not issue securities (including options to subscribe for shares) to any of the following persons without the approval of shareholders:

- (a) a related party; or

- (b) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval be obtained.

For the purposes of Listing Rule 10.11, Cedric Bredenkamp is a related party of the Company. Accordingly, shareholder approval in accordance with Listing Rule 10.11 is sought.

The Company proposes to issue a total of 250,000 Options to Cedric Bredenkamp or his Nominee.

4.4 **Disclosure requirements**

In accordance with the requirements of Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed grant of Options to Cedric Bredenkamp:

- (a) The maximum number of Options to be granted pursuant to Resolution 2 is 250,000 Options;
- (b) The grant of the Options will occur no later than one month after the date of the Meeting;
- (c) The Options will be granted for no consideration;
- (d) The exercise price of the Options will be determined by the Board, but will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the Options are granted;
- (e) The allottee of the Options will be Cedric Bredenkamp or his Nominee;
- (f) A summary of the terms and conditions of the Options is set out in Schedule 2; and
- (g) No funds will be raised by the granting of the Options pursuant to Resolution 2. However, when the Options are exercised, the funds raised by the issue of those shares will be used for working capital purposes, as the Board thinks fit.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Options to Cedric Bredenkamp if approval is obtained under Listing Rule 10.11. Shareholders should note that the issue of Options to Cedric Bredenkamp will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

5. Glossary of Terms

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

"2003 Option Plan" means the Dwyka Diamonds Limited Option Plan approved by shareholders on 28 November 2003.

"\$" means Australian dollars.

"AIM" means the AIM Market of the LSE or if the Company is no longer listed on the AIM Market of the LSE but is listed on the LSE, then the LSE.

"AIM Rules" means the rules applicable to companies listed on the AIM or the LSE (as applicable).

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means Australian Stock Exchange Limited.

"Board" means the board of Directors.

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

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

"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 98 Colin Street, West Perth, Western Australia at 10.00 am on 5 January 2007, or any adjournment thereof.

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

"LSE" means London Stock Exchange Plc.

"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.

"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.

Schedule 1 - Summary of 2003 Option Plan

Set out below is a summary of the terms and conditions of the 2003 Option Plan.

- **Participants** - Participants in the 2003 Option Plan may be directors, full time or part-time employees of, and consultants to, the Company or any of its subsidiaries ("**Participants**").
- **Board** - The Board is responsible for the operation of the 2003 Option Plan.
- **Eligibility** - The Board determines the eligibility of Participants, having regard to:
 - (a) the seniority of the Participant and the position the Participant occupies with the relevant company;
 - (b) the length of service of the Participant with the Company or any subsidiary;
 - (c) the record of employment of the Participant with the relevant company;
 - (d) the potential contribution of the Participant to the growth and profitability of the relevant company;
 - (e) the extent (if any) of the existing participation of the Participant in the 2003 Option Plan; and
 - (f) any other matters which the Board considers relevant.
- **Invitations** - The Board may issue invitations to Participants for the number of options specified in the invitation. Options may be renounced in favour of the spouse of the invitee, a body corporate in which the invitee holds and beneficially owns not less than 50% of the issued voting share capital or the trustee of a trust in which the invitee is a beneficiary or object or the trustee or a trust in which the invitee is a member ("**Nominee**").
- **Number of Options** - The number of Options that may be offered to a Participant is entirely within the discretion of the Board. Each Option will entitle the holder to one Share, upon payment of the exercise price in full upon application, prior to the expiry date.
- **Issue Price** - Options granted under the 2003 Option Plan will be granted free of charge.
- **Exercise Price** - The exercise price of Options granted under the 2003 Option Plan will be determined by the Board, but must not be less than:
 - (a) if there was at least one transaction in Shares on the Relevant Stock Market during the 5 trading day period immediately before the date on which the offer is made, the weighted average of the prices at which Shares were traded during that period; or
 - (b) if there were no transactions in the Shares on the Relevant Stock Market during that 5 trading day period immediately before the date on which the offer is made, the last price at which an offer was made on the Relevant Stock Market to purchase a Share.
- **Expiry Date** - The expiry date of the Options will be determined by the Board. Options granted under the 2003 Option Plan will lapse if not exercised prior to the expiry date, or on the first to occur of the following:

- (a) if the Participant (or the person by virtue of whom a participant holds options) ceases to be a Director, employee or consultant for any reason other than set out in paragraph (b) below, one month thereafter; and
 - (b) if the Participant (or the person by virtue of whom a participant holds options) dies, retires, is retrenched, becomes bankrupt, wound up or deregistered, 12 months thereafter.
- **Restriction on Transfer** - Options may not be transferred without the prior written approval of the Board.
- **Adjustment of Options** - If, prior to the expiry of an Option granted under the 2003 Option Plan, there is a reorganisation of the issued share capital of the Company (including a consolidation, subdivision or reduction of capital or return of capital to shareholders), the number of Shares subject to the option and/or the exercise price will be adjusted in the manner required by the Listing Rules.
- **Bonus issue and rights issues** - A participant is required to exercise an Option in order to participate in a bonus or entitlement issue made by the Company. Participants 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 Options if they wish to participate in the bonus or entitlement issue.
- **Shares issued on Exercise of Options** - Shares which are issued as a result of the exercise of options granted under the 2003 Option Plan will rank pari passu in all respects with all Shares on issue and the Company will apply for quotation of those Shares on ASX and AIM. South African employees may on exercise of options granted under the Option Plan and with the approval of the Board, enter into a delivery deferred payment mechanism.

Schedule 2 - Terms and Conditions

The terms and conditions of the Options to be granted to the employees of the Company entitled to receive Options under Resolution 1 and Cedric Bredenkamp (or his Nominee) under Resolution 2 are as follows:

1. The Options will expire on 30 June 2010.
2. The exercise price of each Option is a price determined by the Board, but will not be less than the weighted average of the prices at which the Shares were trading on the Relevant Stock Market during the five day trading period immediately before the date on which the Options will be granted.
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, or on the first to occur of the following:

- (a) if the optionholder (or the person by virtue of whom an optionholder holds options) ceases to be a Director, employee or consultant for any reason other than set out in paragraph (b) below, one month thereafter; and
 - (b) if the optionholder (or the person by virtue of whom an optionholder holds options) dies, retires, is retrenched, becomes bankrupt, wound up or deregistered, 12 months thereafter.
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.