



Dwyka
Diamonds
Limited

27 October 2003

The Manager
Company Announcement Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir,

Re: Notice of Annual General Meeting

Please find attached the Notice of Annual General Meeting, Explanatory Memorandum and Proxy form which are being mailed to shareholders today.

Yours faithfully
Dwyka Diamonds Limited

Grant Button
Company Secretary

Dwyka Diamonds Limited	ACN 060 938 552
Level 4, HPPL House	Postal Address
28 - 42 Ventnor Avenue	PO Box 368
West Perth WA 6005	West Perth WA 6872
Tel: (61 8) 9324 2955	Fax: (61 8) 9324 2977

DWYKA DIAMONDS LIMITED

ABN 98 060 938 552

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY MEMORANDUM

Date of Meeting: Friday 28 November 2003

Time of Meeting: 9:30am (WST)

Place of Meeting: Sandalwood Room
Ground Floor
Holiday Inn City Centre
788 Hay Street
Perth, Western Australia

This Notice of Annual 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
ABN 98 060 938 552

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an annual general meeting of shareholders of Dwyka Diamonds Limited ("**Company**") will be held at the Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9:30am (WST) on Friday 28 November 2003.

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.

AGENDA

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial statements, the Directors' report and auditor's report for the Company and its controlled entities for the year ended 30 June 2003.

RESOLUTIONS

1. Re-election of Ms Melissa Sturgess as a Director

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

"That Melissa Sturgess, who retires in accordance with the Company's constitution and being eligible, offers herself for re-election, be re-elected as a Director."

2. Establishment of Directors and Employees Incentive Share Plan

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

"That, for the purpose of Listing Rule 7.2, exception 9(b) and for all other purposes, the directors of the Company are authorised to implement and maintain a share plan to be called the "Dwyka Diamonds Share Plan" and to issue shares under that plan from time to time upon the terms and conditions specified in the Rules of the Dwyka Diamonds Share Plan (the terms of which are summarised in the Explanatory Memorandum), as an exception to Listing Rule 7.1."

<p>The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Dwyka) and any associate of such director. 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.</p>
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3. Establishment of Directors and Employees Incentive Option Plan

"That, for the purpose of Listing Rule 7.2, exception 9(b) and for all other purposes, the directors of the Company are authorised to implement and maintain an option plan to be called the "Dwyka Diamonds Option Plan" and to grant options and issue shares upon exercise of those options under that plan from time to time upon the terms and conditions specified in the Rules of the Dwyka Diamonds Option Plan (the terms of which are summarised in the Explanatory Memorandum), as an exception to Listing Rule 7.1."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Dwyka) and any associate of such director. 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.

4. Issue of Shares to Mr Edward Nealon under the Dwyka Diamonds Share Plan

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 10.14 and for all other purposes, Shareholders approve and authorise the issue of 1,000,000 Shares to Mr Edward Nealon in accordance with the Dwyka Diamonds Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Dwyka) and any associate of such director. 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.

5. Issue of Shares to Ms Melissa Sturgess under the Dwyka Diamonds Share Plan

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 10.14 and for all other purposes, Shareholders approve and authorise the issue of 1,000,000 Shares to Ms Melissa Sturgess in accordance with the Dwyka Diamonds Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Dwyka) and any associate of such director. 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.

6. Issue of Shares to Mr Evan Kirby under the Dwyka Diamonds Share Plan

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 10.14 and for all other purposes, Shareholders approve and authorise the issue of 250,000 shares to Mr Evan Kirby in accordance with the Dwyka Diamonds Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Dwyka) and any associate of such director. 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.

7. Ratification of issue of Shares to Shailendra Pratap Singh

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

"That, for the purposes of Listing Rule 7.4 and all other purposes, the members of the Company hereby approve and ratify the issue of 800,000 Shares to Shailendra Pratap Singh in consideration for the acquisition of all of the issued shares in Kohinoor Mining International Limited, on the terms and conditions contained in the Explanatory Memorandum."

Dwyka will disregard any votes cast on this resolution by Shailendra Pratap Singh and an associate of Shailendra Pratap Singh. However, Dwyka need not disregard a vote if it is cast by a 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.

8. Ratification of placement to clients of William de Broë

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

"That, for the purposes of Listing Rule 7.4 and all other purposes, the members of the Company hereby approve and ratify the issue of 5,255,000 Shares at an issue price of \$0.34 per Share to the clients of William de Broë, on the terms and conditions contained in the Explanatory Memorandum."

Dwyka will disregard any votes cast on this resolution by any person who participated in the issue and an associate of any of those allottees. However, Dwyka need not disregard a vote if it is cast by a 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.

BY ORDER OF THE BOARD

Grant Button



Company Secretary

DATED: 22 October 2003

PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

PROXY INSTRUCTIONS

Shareholders are entitled to appoint up to two individuals 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, Level 4, HPPL House, 28-42 Ventnor Avenue, 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 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 9:30am on Wednesday 26 November 2003. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

DWYKA DIAMONDS LIMITED
ABN 98 060 938 552

PROXY FORM

Dwyka Diamonds Limited, Level 4, HPPL House, 28-42 Ventnor Avenue, 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 _____

of _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9:30am (WST) on Friday 28 November 2003 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 or her 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
ABN 98 060 552

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the annual general meeting of Shareholders to be held at Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9:30am (WST) on Friday 28 November 2003.

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 Annual General Meeting are set out below.

1. Resolution 1 – Re-election of Ms Melissa Sturgess

It is a requirement under the Company's constitution that Melissa Sturgess retire by rotation at the Annual General Meeting. Ms Sturgess, being eligible for re-election pursuant to the Company's constitution, offers herself for re-election. The remaining Directors recommend to shareholders that Ms Sturgess be re-elected.

2. Resolutions 2 and 3 – Establishment of Directors and Employees Incentive Plans

2.1 Background

Since the establishment of Dwyka's existing option plan, the Company's financial position and circumstances have changed materially and the Company has undergone considerable change. As a result, the existing option plan is no longer appropriate. To ensure that the Company has appropriate incentive schemes to continue to attract and retain the services of directors and employees of a high calibre, the Company is proposing revised share and option plans for consideration by Shareholders.

To ensure that the Company has the flexibility to either offer shares or grant options, the Company proposes to establish the Share Plan and the Option Plan. The Company currently proposes to offer options under the Option Plan to employees in South Africa and to offer shares under the Share Plan to directors and employees in Australia.

A total of 3,000,000 options were granted under the existing option plan on 31 July 2001, of which 500,000 were granted to Ms Melissa Sturgess and 500,000 were granted to Mr Edward Nealon. Ms Sturgess and Mr Nealon have agreed to the cancellation of those options, so that at the date of the Meeting, only 2,000,000 options that were granted under the existing option plan remain exercisable.

The Directors, employees and consultants of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Plans are an appropriate method to:

- (a) reward Directors, consultants and employees for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;

- (c) motivate Directors and generate loyalty from senior employees and consultants; and
- (d) assist to retain the services of valuable employees and consultants.

Further, the Directors consider that the Plans will provide the Company with the ability to attract and retain employees of a high calibre. The Plans will be used 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.

Although the Company is not required to obtain shareholder approval for the introduction of the Plans, if the Plans are approved by shareholders within 3 years of the date of issue of securities under the Plans, then those securities will be considered as an exception to 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 months period without obtaining shareholder approval. If Shareholders approve this resolution, then the securities issued under the Plans would not be included in the 15% limit imposed by Listing Rule 7.1.

No Shares have been issued under the Share Plan and no Options have been granted under the Option Plan. However, the Company has issued conditional invitations, subject to the passing of Resolution 2 and Resolutions 4, 5 and 6, as applicable, to Directors to participate in the Share Plan and acquire up to a total of 2,250,000 Shares.

The issue price of the Shares offered to Directors under the Share Plan is \$0.52, being the weighted average price of shares on ASX during the 5 trading days immediately before 13 October 2003, the date of the offer.

The Company also proposes to issue invitations to employees and consultants in South Africa to participate in the Option Plan and to employees and consultants in Australia to participate in the Share Plan.

The Company proposes to grant a total of 6,000,000 securities (being a combination of shares under the Share Plan and options under the Option Plan) under the Plans. As it is proposed, subject to shareholder approval, to issue 2,250,000 Shares to the Directors in accordance with Resolutions 4, 5 and 6, up to a further 3,750,000 shares and or options may be offered to employees and consultants in Australia and South Africa under the Plans.

A summary of the terms of the Share Plan is set out in section 2.2 of this Explanatory Memorandum. A summary of the terms of the Option Plan is set out in section 2.3 of this Explanatory Memorandum. A copy of the full rules of the Plans will be sent to any member of the Company upon request.

2.2 **Summary of the terms and conditions of the Share Plan**

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

- **Participants** - Participants in the Share Plan may be directors, full-time and 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 Share 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; and
 - (e) any other matters which the Board considers relevant.
- **Invitations** - The Board may issue invitations to Participants for the number of Plan Shares specified in the invitation. Shares offered under the Share Plan must be in the name of the Participant.
 - **Number of Shares** - The number of Shares that may be offered to a Participant is entirely within the discretion of the Board.
 - **Issue Price** - The issue price for each Plan Share will be not less than:
 - (a) (if there was at least one transaction in the Shares on the Relevant Stock Market during the 5 trading day period immediately before the Offer Date) the weighted average of the prices at which Shares were traded on the Relevant Stock Market during that period; or
 - (b) (if there were no transactions in the Shares on the Relevant Stock Market during that 5 trading day period before the Offer Date) the last price at which an offer was made on the Relevant Stock Market to purchase a Share.
 - **Loan** - A Participant who is invited to subscribe for Shares under the Share Plan may also be invited to apply for a loan ("**Loan**") up to the amount payable in respect of the Shares accepted by the Participant, on the following terms:
 - (a) Loans must be made solely to the Participant and in the name of that Participant.
 - (b) Loans will be interest free.
 - (c) Any loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares to be acquired under the Share Plan.
 - (d) The term of the Loan, the time in which repayment of the Loan must be made by the Participant and the manner for making such payments shall be determined by the Board and set out in the invitation.
 - (e) The amount repayable on the Loan by the Participant will be the lesser of:
 - (i) the issue price of the Shares, less any cash dividends paid in respect of the shares and applied by the Company in accordance with paragraph (g) below and any amount of the Loan repaid by the Participant; and

- (ii) the last sale price of the Shares on the Relevant Stock Market on the date of repayment of the Loan or, if there are no transactions on that day, the last sale price of the Shares prior to that date.
 - (f) A Participant must repay the Loan in full prior to expiry of the term of the Loan but may elect to repay the Loan amount in respect of any or all of the Shares (in multiples representing not less than 1,000 Shares) at any time prior to expiry of the term of the Loan.
 - (g) Cash dividends which are paid in respect of Shares the subject of a Loan will be applied by the Company on behalf of the Participant to repayment of the amount outstanding under the Loan and any surplus of the cash dividend will be paid to the Participant.
 - (h) Any fees, charges and stamp duty payable in respect of a Loan will be payable by the Participant.
 - (i) The Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Share Plan.
 - (j) A Share issued under the Share Plan will not be tradeable by a Participant until the Loan amount in respect of that Share has been repaid.
- **Termination of the Loan prior to the Repayment Date** - If, prior to repayment of a loan by a Participant:
 - (a) the Participant dies, becomes bankrupt or is no longer a director or employee of, or consultant to, the Company or its subsidiaries as a result of retirement or retrenchment, then the Participant is required to either repay the loan within 12 months or allow the Company to sell the Shares and apply the proceeds of sale in repayment of the Loan; or
 - (b) the Participant is no longer a director or employee of, or consultant to, the Company or its subsidiaries other than as a result of one of the matters referred to in paragraph (a) above, then the Participant is required to either repay the loan within one month or allow the Company to sell the Shares and apply the proceeds of the sale in repayment of the loan.

If the proceeds of sale of the Shares are less than the amount outstanding in relation to the Loan, the Company will forgive the amount of the shortfall.

- **Restriction on Transfer** - Subject to the requirements of the Listing Rules and the AIM Rules, Shares issued under the Share Plan will not be quoted on ASX or AIM and may not be sold or otherwise dealt with until the loan in respect of those Shares has been repaid in full and any other qualifying period that may be imposed by the Board has expired.
- **Rights attaching to Shares issued under the Share Plan** - Shares which are issued under the Share Plan will rank equally in all respects (other than with respect to any restriction on transfer imposed until the Loan has been repaid or otherwise imposed by the Board and set out in the relevant invitation) with all Shares on issue and, subject to the requirements of the Listing Rules and the AIM Rules, the Company will apply for quotation of those shares on ASX and AIM once the loan

in respect of those Shares has been repaid in full and any other restrictions on transfer imposed by the Board have been satisfied.

2.3 Summary of the terms and conditions of the Option Plan

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

- **Participants** - Participants in the 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 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 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.
- **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 Option Plan will be granted free of charge.
- **Exercise Price** - The exercise price of Options granted under the 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 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 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 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.

3. Resolutions 4, 5 and 6 - Issue of Shares to Edward Nealon, Melissa Sturgess and Evan Kirby under the Share Plan

3.1 Details of proposed issues

The Company proposes to issue Shares to the directors of the Company, Mr Edward Nealon, Ms Melissa Sturgess and Mr Evan Kirby in accordance with the terms of the Share Plan.

The proposed issue of Shares is intended to:

- (a) provide an appropriate and adequate incentive for the Recipient Directors;
- (b) ensure that the Company may retain the services of the Recipient Directors; and
- (c) reinforce the commitment of the Recipient Directors to the Company.

The Recipient Directors will only benefit from an issue of Shares under the Share Plan when there is an improvement in the Company's share price since the date on which they are offered Shares.

Resolutions 4, 5 and 6 seek shareholder approval for the issue of Shares to the Recipient Directors as follows:

Name of Director	Number of Shares to be issued
Edward Nealon	1,000,000
Melissa Sturgess	1,000,000
Evan Kirby	250,000

The Shares to be issued to the Recipient Directors pursuant to Resolutions 4, 5 and 6 may not be transferred or otherwise dealt with and will not be quoted until the later to occur of the following:

- (a) the loan amount in respect of the relevant share has been repaid; and
- (b) in respect of:
 - (i) one third of the Shares issued to each Recipient Director, 12 months after the date of issue of the Shares;
 - (ii) another one third of the Shares issued to each Recipient Director, 24 months after the date of issue of the Shares; and
 - (iii) the remaining one third of the Shares issued to each Recipient Director, 36 months after the date of issue of the Shares.

3.2 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:

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

For the purposes of Chapter 2E, each Recipient Director is a related party and the issue of Shares to the Recipient Directors and provision of loans by the Company to the Recipient Directors to fund payment of the subscription price for those Shares constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required.

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 issue of Shares to the Recipient Directors and provision of loans by the Company to the Recipient Directors to fund payment of the subscription price for those Shares:

- (a) the Recipient Directors are each related parties of the Company to whom proposed Resolutions 4, 5 and 6 would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to Edward Nealon is the issue of 1,000,000 Shares and a loan in respect of the issue price of those Shares, being \$520,000;
- (c) the nature of the financial benefit to be given to Melissa Sturgess is the issue of 1,000,000 Shares and a loan in respect of the issue price of those Shares, being \$520,000;

- (d) the nature of the financial benefit to be given to Evan Kirby is the issue of 250,000 Shares and a loan in respect of the issue price of those Shares, being \$130,000;
- (e) as at the date of this Explanatory Memorandum, the issued capital of the Company is 61,057,696 Shares. Immediately after the issue of Shares pursuant to Resolutions 4, 5 and 6, the issued capital of the Company will comprise:

Current	After Issue of Plan Shares to Recipient Directors
61,057,696	63,307,696

The issue of 2,250,000 Shares to the Recipient Directors will result in a dilution of other Shareholders' interests by approximately 3.7% on a fully diluted basis;

- (f) assuming Resolutions 4, 5 and 6 are approved by Shareholders, the Recipient Directors will be entitled to the following securities in the Company:

Recipient Director	Number of Shares held Directly	Number of Shares held Indirectly	Number of Options held Directly or Indirectly
Edward Nealon	1,000,000	-	-
Melissa Sturgess	1,000,000	2,500	-
Evan Kirby	250,000	-	-

- (g) none of the Recipient Directors wish to make a recommendation to Shareholders about proposed Resolutions 4, 5 and 6 because each has an interest in the outcome of those of Resolutions;
- (h) details of the Recipient Directors' remuneration (based on information extracted from the Company's 2003 Annual Report) are as follows:

Recipient Director	Directors' Fees	Consultancy Fees	Base Salary	Super-Annuation	Total
Edward Nealon	15,150	96,950	-	1,600	113,700
Melissa Sturgess	15,150	150,000	-	1,600	166,750
Evan Kirby	8,210	46,500	-	1,975	56,685

- (i) the subscription price at which 2,250,000 Shares may be issued to the Recipient Directors will be \$1,170,000 or \$0.52 per Share (being the weighted average price of Shares on ASX over the 5 trading days immediately before the date on which the Recipient Directors were offered the Shares), with the entire amount of the subscription price being loaned to the Recipient Directors on the key terms set out in section 2.2 of this Explanatory Memorandum, in accordance with the terms of the Share Plan;
- (j) during the last 12 months before the date of lodgement of this Notice with the ASIC, the highest trading price of the Shares was \$0.63 on 10 September 2003 and the lowest trading price of the Shares was \$0.16 on 23 May 2003. The market price of the Company's Shares over the 5 days of trading on ASX up to and including 10 October 2003 has been between a minimum of \$0.49 per Share to a maximum of

\$0.56 per Share. On 10 October 2003, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.54 per Share;

- (k) the primary purpose of the issue of Shares to the Recipient Directors under the Share Plan is to provide an incentive to the Recipient Directors. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in issuing the Shares proposed by Resolutions 4, 5 and 6; and
- (l) other than the information specified above, the Company believes there is no other information that would be reasonably required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 4, 5 and 6.

3.3 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of ordinary shareholders by ordinary resolution is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) director;
- (b) an Associate of a director; or
- (c) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

Each of the Recipient Directors is a Director of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for the Recipient Directors to acquire Shares under the Share Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

3.4 Listing Rule disclosure requirements

Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolutions 4, 5 and 6:

- (a) Edward Nealon, Melissa Sturgess and Evan Kirby are Directors;
- (b) the maximum number of Shares that may be issued to Mr Nealon under Resolution 4 is 1,000,000 Shares, to Ms Sturgess under Resolution 5 is 1,000,000 Shares; and to Mr Kirby under Resolution 6 is 250,000 Shares;
- (c) the Shares will be issued on one date within two months from the date of the Annual General Meeting;
- (d) the issue price of the shares is \$0.52 being the weighted average price of Shares on ASX over the 5 trading days prior to 13 October 2003;
- (e) no Shares have been issued under the Share Plan;
- (f) directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries, may participate in the Share Plan;
- (g) subject to compliance with the Listing Rules and the AIM Rules, the Shares to be issued to Edward Nealon, Melissa Sturgess and Evan Kirby pursuant to Resolutions 4, 5 and 6 will not be quoted on the Relevant Stock Market and may not be transferred or otherwise dealt with until the later to occur of the following:

- (i) the loan in respect of those Shares has been repaid; and
- (ii) in respect of:
 - A. one third of the Shares issued under the Offer, 12 months after the date of issue of the Shares;
 - B. another one third of the Shares issued under the Offer, 24 months after the date of issue of the Shares; and
 - C. the remaining one third of the Shares issued under the offer, 36 month after the date of issue of the Shares.
- (h) other than the restriction on trading referred to above, the Shares issued pursuant to Resolutions 4, 5 and 6 will rank equally with all other Shares on issue;
- (i) the Company will provide loans to Mr Nealon, Ms Sturgess and Mr Kirby in relation to the acquisition of the Shares under the Share Plan. The loans are repayable within 3 years from the date of issue of the Shares. The other terms of the loans are set out in section 2.2 of this Explanatory Memorandum; and
- (j) a summary of the rules of the Share Plan is set out in section 2.2 of this Explanatory Memorandum.

4. Resolution 7 - Ratification of issue of Shares to Shailendra Pratap Singh

At a general meeting of Shareholders held on 6 January 2003, shareholders approved the issue of 800,000 Shares to Shailendra Pratap Singh ("**Singh**"). The Company did not issue the Shares to Singh within the 3 month period prescribed by Listing Rule 7.3 and accordingly, the approval obtained was invalid. The Company issued 800,000 Shares to Singh on 14 July 2003.

Resolution 7 seeks shareholder ratification for the issue of Shares to Singh for the purpose of Listing Rule 7.4.

The purpose of seeking shareholder approval and ratification of the issue of Shares is to effectively reinstate the maximum limit under the Listing Rules on the number of securities that Dwyka 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 Shares to Singh:

- (a) The number of Shares allotted was 800,000.
- (b) The deemed issue price of the Shares was \$0.50.
- (c) The Shares rank equally with all existing Shares.
- (d) The name of the allottee is Shailendra Pratap Singh.
- (e) No funds were raised pursuant to the issue of Shares to Singh as the Shares were issued in consideration for the acquisition of all of the issued shares in Kohinoor Mining International.

5. Resolution 8 - Ratification of issue of Shares to clients of William de Broë

The Company issued 5,255,000 Shares to the clients of Williams de Broë on 14 July 2003.

5.1 Listing Rule 7.4

Resolution 8 seeks shareholder ratification for the offer and issue of Shares to the clients of Williams de Broë for the purposes of Listing Rule 7.4.

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

5.2 Disclosure Requirements

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 to the clients of Williams de Broë:

- (a) The number of Shares allotted was 5,255,000.
- (b) The issue price of the Shares was \$0.34.
- (c) The Shares rank equally with all existing Shares.
- (d) The allottees were of Shares to the clients of Williams de Broë.
- (e) The funds were raised to provide working capital to develop and explore the Company's Indian prospects and for the restructure of the Company's South African assets.

6. Glossary of Terms

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

"Annual General Meeting" or **"Meeting"** means the general meeting of Shareholders to be held at Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9:30am (WST) on Friday 28 November 2003 or any adjournment thereof.

"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, ABN 98 060 938 552.

"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.

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

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

"Option Plan" means the Dwyka Diamonds Option Plan proposed to be established in accordance with Resolution 3.

"Plans" means the Share Plan and the Option Plan.

"Recipient Directors" means Edward Nealon, Melissa Sturgess and Evan Kirby.

"Relevant Stock Market" means:

- (a) ASX, if the Company is listed on ASX; or
- (b) 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.

"Share Plan" means the Dwyka Diamonds Share Plan proposed to be established in accordance with Resolution 2.

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