



**GULLEWA
LIMITED**

ACN 007 547 480
ABN 30 007 547 480

29 October 2003

Company Announcements Office
Australian Stock Exchange Limited
Level 4 Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

NOTICE OF MEETING

Enclosed please find Notice of Meeting which is being mailed out to all our shareholders.

Yours faithfully

DAVID DEITZ
Chairman

Encl

Ref: S:\GULLEWA\Announcements\2003\ASXCaps-NoticeofAnlGenMtg-29.10.2003.doc

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GULLEWA LIMITED
ACN 007 547 480

NOTICE OF ANNUAL GENERAL MEETING
PROXY FORM
AND
EXPLANATORY MEMORANDUM

Date of Meeting
28 November 2003

Time of Meeting
10.00 am

Place of Meeting
Horwath (NSW) Pty Limited
Level 10, 1 Market Street
SYDNEY NSW 2000

GULLEWA LIMITED
ACN 007 547 480

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the Annual General Meeting of Gullewa Limited ("**Company**" or "**Gullewa**") to be held at the offices of Horwath (NSW) Pty Ltd, Level 10, 1 Market Street, Sydney, New South Wales, on 28 November 2003 at 10.00 am Eastern Daylight Saving Time, for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice of Meeting.

AGENDA

Annual Accounts

To receive and consider the financial statements of the Company for the year ended 30 June 2003, consisting of the Statements of Financial Performance, the Statements of Financial Position, the Statements of Cash Flows, the Directors' Report, the Directors' Declaration and Auditors' Report.

Resolution 1 – Re-election of David Deitz as a Director

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

"That David Deitz, being a Director of the Company, retiring by rotation in accordance with Rule 13.2 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a Director of the Company."

Resolution 2 – Approve Placement Issue of up to 50,000,000 Shares

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

"That, pursuant to Listing Rule 7.1, the Directors be authorised to issue up to 50,000,000 fully paid ordinary shares in the capital of the Company at a minimum issue price per share which is at least 80% of the average market price of ordinary shares in the capital of the Company trading on ASX over the last 5 days on which sales were recorded before the day on which the issue was made (or if there is a prospectus relating to the issue, over the last 5 days on which sales in the shares were recorded before the date of the prospectus)."

The Company will disregard any votes cast on this Resolution 2 by any person who may participate in the issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of those persons. However, the Company 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 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.

Resolution 3 – Grant Directors' Options to David Deitz

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

"That, pursuant to section 208 of the Corporations Act and Listing Rule 10.11, the Company approve and authorise the grant of up to 9,000,000 Directors' Options for no issue price to Mr David Deitz, the Chairman of the Company, on the terms and conditions set out in Annexure A attached to the Explanatory Memorandum accompanying this Notice of Meeting."

The Company will in accordance with section 224 of the Corporations Act 2001 (Commonwealth of Australia) disregard any votes cast on Resolution 3 by David Deitz or any associates of David Deitz. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of David Deitz or an associate of David Deitz in accordance with section 224(2) of the Corporations Act 2001.

Resolution 4 – Grant Directors' Options to Eddie Lee

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

"That, pursuant to section 208 of the Corporations Act and Listing Rule 10.11, the Company approve and authorise the grant of up to 1,000,000 Directors' Options for no issue price to Mr Eddie Lee, a Director of the Company, on the terms and conditions set out in Annexure A attached to the Explanatory Memorandum accompanying this Notice of Meeting."

The Company will in accordance with section 224 of the Corporations Act 2001 (Commonwealth of Australia) disregard any votes cast on Resolution 4 by Eddie Lee or any associates of Eddie Lee. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of Eddie Lee or an associate of Eddie Lee in accordance with section 224(2) of the Corporations Act 2001.

Resolution 5 – Grant Directors' Options to David Atkinson

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

"That, pursuant to section 208 of the Corporations Act and Listing Rule 10.11, the Company approve and authorise the grant of up to 1,000,000 Directors' Options for no issue price to Mr David Atkinson, a Director of the Company, on the terms and conditions set out in Annexure A attached to the Explanatory Memorandum accompanying this Notice of Meeting."

The Company will in accordance with section 224 of the Corporations Act 2001 (Commonwealth of Australia) disregard any votes cast on Resolution 5 by David Atkinson or any associates of David Atkinson. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of David Atkinson or an associate of David Atkinson in accordance with section 224(2) of the Corporations Act 2001.

Resolution 6 – Participation of Directors in Placement

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

"That, subject to the passage of Resolution 2 and pursuant to Listing Rule 10.11, Messrs David Deitz, Eddie Lee and David Atkinson, being Directors of the Company, or their respective nominees, may participate in the placement referred to in Resolution 2 by each or all of them or their respective nominees subscribing for, in aggregate, a maximum of 8,000,000 fully paid ordinary shares in the capital of the Company."

The Company will in accordance with section 224 of the Corporations Act 2001 (Commonwealth of Australia) disregard any votes cast on Resolution 6 by David Deitz, Eddie Lee and David Atkinson, or any associates of David Deitz, Eddie Lee and David Atkinson. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of David Deitz, Eddie Lee or David Atkinson or an associate of David Deitz, Eddie Lee or David Atkinson in accordance with section 224(2) of the Corporations Act 2001.

For the purposes of Resolutions 1 – 6, the following definitions apply:

"ASX" means Australian Stock Exchange Limited;

"Company" means Gullewa Limited ACN 007 547 480;

"Corporations Act" means Corporations Act 2001 (Cth);

"Directors" means the Directors of the Company;

"Directors' Option" means an option to acquire one Share exercisable at 6 cents each, on or before 30 June 2009, on the terms and conditions set out in Annexure A to the Explanatory Memorandum accompanying this Notice of Meeting;

"Listing Rules" means the Listing Rules of the ASX; and

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

Other business

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

By order of the Board

David Deitz
CHAIRMAN
Dated: 28 October 2003

PROXIES

- ☐ Votes at the general meeting may be given personally or by proxy, attorney or representative.
- ☐ A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote at this meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.
- ☐ A proxy may but need not be a shareholder of the Company.
- ☐ The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer of his attorney duly authorised.
- ☐ The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and reach the Registered Office of the Company at least 48 hours prior to the meeting. For the convenience of shareholders a Proxy Form is enclosed.

For the purposes of Regulation 7.11.37 of the Corporations Regulations the Company determines that members holding ordinary shares at the close of business on 26 November 2003 will be entitled to attend and vote at the Annual General Meeting.

GULLEWA LIMITED
ACN 007 547 480

PROXY FORM

The Company Secretary
Gullewa Limited

Registered Office Address: Level 11 Shaw House
49-51 York Street
SYDNEY NSW 2000
Facsimile: (02) 9299 1817

I/We (name of shareholder)
of (address)
being a member/members of Gullewa Limited HEREBY APPOINT
(name)
of (address)
and/or failing him (name)
of (address)
or failing that person then the Chairman of the General Meeting 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 the offices of Horwath (NSW) Pty
Ltd, Level 10, 1 Market Street, Sydney, New South Wales, on 28 November 2003 at 10.00 am Eastern Daylight
Saving Time and at any adjournment of the meeting.

Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box below:

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
Resolution 1 Re-election of David Deitz as a Director	☐	☐	☐
Resolution 2 Approve Placement Issue of up to 50,000,000 Shares	☐	☐	☐
Resolution 3 Grant Directors' Options to David Deitz	☐	☐	☐
Resolution 4 Grant Directors' Options to Eddie Lee	☐	☐	☐
Resolution 5 Grant Directors' Options to David Atkinson	☐	☐	☐
Resolution 6 Participation of Directors in Placement	☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

If you do not wish to direct your proxy how to vote, please place a mark in this box.

*By marking this box, you acknowledge that the Chairman may exercise your proxy even
if he has an interest in the outcome of Resolutions 2-6 and votes cast by him other
than as proxy holder will be disregarded because of that interest.*

☐

The Chairman intends to vote **in favour** of Resolutions 2 – 6 in relation to undirected proxies.

<i>This Proxy is appointed to represent ____% of my voting right, or if 2 proxies are appointed Proxy 1 represents ____% and Proxy 2 represents ____% of my total votes My total voting right is ____ shares</i>

If the shareholder(s) is an individual:

Name:

If the shareholder is a company:

Affix common seal (if required by Constitution)

.....
Director/Sole Director and Secretary

.....
Director/Secretary

Dated: 2003

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer of the company or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this General Meeting, by person, post or facsimile to the address stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
 - (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way; and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.

7. The Chairman intends to vote *in favour* of all resolutions set out in the Notice.

GULLEWA LIMITED
ACN 007 547 480

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of Gullewa.

The Directors of the Company ("**Directors**") recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

Resolution 1 – Re-election of David Deitz as a Director

Pursuant to Rule 13.2 of the Company's Constitution, David Deitz, being a Director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Resolution 2 – Approve Placement Issue of up to 50,000,000 Shares

Listing Rule 7.1

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities where the securities proposed to be issued represent more than 15% of the Company's fully paid ordinary shares then on issue. Listing Rule 7.1 approval is sought so that the 15% threshold is maintained and available for use by the Company in the future should the circumstances require it.

Information for Shareholders

Resolution 2 has been included so that shareholders may approve pursuant to Listing Rule 7.1 the proposed issue of up to a maximum of 50,000,000 fully paid ordinary shares to persons selected by the Directors in their discretion.

The maximum issue of shares pursuant to this Resolution will represent 45% of the issued capital of the Company on a fully diluted basis (prior to the issue of the 50,000,000 shares). The Company is required to seek shareholder approval for any issues of securities greater than 15% of its issued capital pursuant to Listing Rule 7.1. The passing of this Resolution will permit the Company to have the right to place up to a further 15% of its issued capital at any time during the next 12 months. The information required to be given to shareholders pursuant to Listing Rule 7.3 is follows:

- (a) the maximum number of securities to be issue is 50,000,000 fully paid ordinary shares;
- (b) the shares will be issued progressively, but no later than 3 months after the date of the meeting;
- (c) the shares will be issued at a minimum issue price which is at least 80% of the average market price of ordinary shares in the capital of the Company trading on ASX over the last 5 days on which sales were recorded before the day on which the issue was made (or if there is a prospectus relating to the issue, over the last 5 days on which sales in the shares were recorded before the date of the prospectus);

- (d) the proposed allottees are unknown at the date of the Notice but will be chosen at the discretion of the Directors and may be in conjunction with a member firm of the ASX. The Company will disclose the names of the allottees when shares are issued;
- (e) the shares to be issued are fully paid ordinary shares which rank pari passu with existing shares; and
- (f) the purpose of the placement will be to raise funds to assist in funding the Company's investigation into potential projects, assessing new projects and working capital.

RESOLUTIONS 3 – 5 GENERALLY

Shareholder approval is being sought in Resolutions 3 – 5 to grant Directors' Options to David Deitz, Eddie Lee and David Atkinson, for no issue price. The terms and conditions of the Directors' Options to be issued to Messrs Deitz, Lee and Atkinson are set out in Annexure A to this Explanatory Memorandum.

The grant of Directors' Options is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances, the Directors consider that the incentives to David Deitz, Eddie Lee and David Atkinson, represented by the issue of these Directors' Options, are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of cash compensation. The Company considers that it is far better for the Directors to be compensated by way of securities in the Company, rather than by way of cash.

Resolution 3 – Grant Directors' Options to David Deitz

Shareholder approval is being sought in Resolution 3 to grant 9,000,000 Directors' Options to David Deitz, Chairman of the Company, for no issue price.

Related Party Transactions

Accordingly, shareholder approval pursuant to Chapter 2E of the Corporations Act is required for the issue of Directors' Options to David Deitz.

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

The Directors' Options will be issued to David Deitz.

The nature of the financial benefit

The proposed financial benefit is the grant to Mr Deitz of 9,000,000 Directors' Options, for no issue price.

Directors' recommendation

The following Directors wish to make a recommendation about the proposed Resolution 3:

Directors	Recommendation
Eddie Lee	The Directors recommend shareholders vote in

David Atkinson	favour of Resolution 3, as the Directors' Options are considered by the Directors to provide a cost effective means of giving an incentive to Mr Deitz to advance the Company's interests in accordance with the directions given from time to time by the Board of Directors.
David Deitz	Abstained from consideration and voting in respect of this recommendation, as he has an interest in the outcome of Resolution 3.

All of the Directors (other than Mr Deitz) were available to consider the proposed resolution.

Interests of Directors

None of the Directors who voted in respect of the above recommendation have an interest in the outcome of Resolution 3.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.

- (a) The proposed resolution would have the effect of giving power to the Directors to grant 9,000,000 Directors' Options to David Deitz.
- (b) The Company's advisers have valued the Directors' Options using the Black-Scholes Option Pricing Model ("**BSModel**"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables. Their assessment of the value of the Directors' Options has been prepared using the following variables:
 - the price of the underlying share is 3.1 cents which was the closing price on 14 October 2003, being the day the valuation was conducted;
 - the exercise price is 6 cents;
 - the Directors' Option term is 6 years;
 - a volatility factor of 60%; and
 - a risk free interest rate of 5.4%, as at 14 October 2003.

In deriving the valuation the BSModel relies upon the following assumptions:

- that the Directors' Options are American call options (ie. they can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Using the abovementioned variables the BSModel calculates the value of a Directors' Option to be one (1.0) cent each, giving a total value of \$90,000. Any change in the variables applied in the BSModel between the date of the valuation and the date the Directors' Options are granted would have an impact on their value.

- (c) Mr Deitz receives a base fee of \$60,000 per annum for his role as Chairman. Therefore based on the above assumptions, the total financial benefit to be received by Mr Deitz in the current period is \$150,000.
- (d) If the Directors' Options granted to David Deitz are exercised, the effect would be to dilute the shareholdings of the existing shareholders.
- (e) As at the date of this Notice, the total issued capital of the Company comprised 110,916,758 ordinary fully paid shares. On a fully diluted basis the issue of 9,000,000 Directors' Options represents approximately 7.51% of the Company's total issued capital.
- (f) As at the date of this Notice, David Deitz and his associates do not have a relevant interest in any securities in the Company.
- (g) The market price of the Shares during the term of the Directors' Options will normally determine whether or not the option holder exercises the Directors' Option. At the time any Directors' Options are exercised and Shares issued pursuant to the exercise of the Directors' Options, Shares may be trading on the ASX at a price which is higher than the exercise price of the Directors' Options.
- (h) The Directors' Options will not be quoted on ASX and as such have no actual market value. The Company does not currently have a quoted class of options on issue.
- (i) The following table gives details of the highest, lowest and latest price of the Company's shares trading on the ASX over the past 12 months ending on 23 October 2003:

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 23 October 2003
Ordinary Shares	3.7 cents	23 October 2003	1.3 cents	28 May 2003	3.7 cents

- (j) The Directors' Options are capable of being converted to shares by payment of the exercise price.
- (k) Under the Company's current circumstances, the Directors consider that the incentive to David Deitz which would be represented by the Directors' Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentives.
- (l) The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the Directors' Options to David Deitz pursuant to Resolution 3.
- (m) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 3.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval for the issue of securities to a related party of the Company. As David Deitz is a related party of the Company as noted above, shareholder approval under Listing Rule 10.11 is sought for the issue of Directors' Options to him.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

1. the number of Directors' Options to be granted under Resolution 3 is 9,000,000;
2. the Directors' Options will be issued within one month of the date of the meeting;
3. the Directors' Options will be granted as incentive options hence will attract no issue price;
4. the allottee is David Deitz;
5. the terms and conditions of the Directors' Options are set out in Annexure A to this Explanatory Memorandum; and
6. no funds will be raised from the grant of the Directors' Options.

If approval is given for the issue of the Directors' Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

(Note: Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities where the securities proposed to be issued represent more than 15% of the Company's Shares then on issue. Listing Rule 7.1.4 provides that for the purposes of Listing Rule 7.1, Options are treated as if they were the Shares into which they will, upon exercise, convert.)

Resolution 4 – Grant Directors' Options to Eddie Lee

Shareholder approval is being sought in Resolution 4 to grant 1,000,000 Directors' Options to Eddie Lee, a Director of the Company, for no issue price.

Related Party Transactions

Accordingly, shareholder approval pursuant to Chapter 2E of the Corporations Act is required for the issue of Directors' Options to Eddie Lee.

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

The Directors' Options will be issued to Eddie Lee.

The nature of the financial benefit

The proposed financial benefit is the grant to Mr Lee of 1,000,000 Directors' Options, for no issue price.

Directors' recommendation

The following Directors wish to make a recommendation about the proposed Resolution 4:

Directors	Recommendation
David Deitz David Atkinson	The Directors recommend shareholders vote in favour of Resolution 4, as the Directors' Options are considered by the Directors to provide a cost effective means of giving an incentive to Mr Lee to advance the Company's interests in accordance with the directions given from time to time by the Board of Directors.
Eddie Lee	Abstained from consideration and voting in respect of this recommendation, as he has an interest in the outcome of Resolution 4.

All of the Directors (other than Mr Lee) were available to consider the proposed resolution.

Interests of Directors

None of the Directors who voted in respect of the above recommendation have an interest in the outcome of Resolution 4.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.

- (a) The proposed resolution would have the effect of giving power to the Directors to grant 1,000,000 Directors' Options to Eddie Lee.
- (b) The Company's advisers have valued the Directors' Options using the Black-Scholes Option Pricing Model ("**BSModel**"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables. Their assessment of the value of the Directors' Options has been prepared using the following variables:
 - the price of the underlying share is 3.1 cents which was the closing price on 14 October 2003, being the day the valuation was conducted;
 - the exercise price is 6 cents;
 - the Directors' Option term is 6 years;
 - a volatility factor of 60%; and
 - a risk free interest rate of 5.4%, as at 14 October 2003.

In deriving the valuation the BSModel relies upon the following assumptions:

- that the Directors' Options are American call options (ie. they can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free interest rate is known and constant throughout the duration of the option contract;

- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Using the abovementioned variables the BSModel calculates the value of a Directors' Option to be one (1.0) cent each, giving a total value of \$10,000. Any change in the variables applied in the BSModel between the date of the valuation and the date the Directors' Options are granted would have an impact on their value.

- (c) Mr Lee receives a base fee of \$25,000 per annum for his role as Director. Therefore based on the above assumptions, the total financial benefit to be received by Mr Lee in the current period is \$35,000.
- (d) If the Directors' Options granted to Eddie Lee are exercised, the effect would be to dilute the shareholdings of the existing shareholders.
- (e) As at the date of this Notice, the total issued capital of the Company comprised 110,916,758 ordinary fully paid shares. On a fully diluted basis the issue of 1,000,000 Directors' Options represents approximately 0.89% of the Company's total issued capital.
- (f) As at the date of this Notice, Eddie Lee and his associates do not have any relevant interest in any securities in the Company.
- (g) The market price of the Shares during the term of the Directors' Options will normally determine whether or not the option holder exercises the Directors' Option. At the time any Directors' Options are exercised and Shares issued pursuant to the exercise of the Directors' Options, Shares may be trading on the ASX at a price which is higher than the exercise price of the Directors' Options.
- (h) The Directors' Options will not be quoted on ASX and as such have no actual market value. The Company does not currently have a quoted class of options on issue.
- (i) The following table gives details of the highest, lowest and latest price of the Company's shares trading on the ASX over the past 12 months ending on 23 October 2003:

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 23 October 2003
Ordinary Shares	3.7 cents	23 October 2003	1.3 cents	28 May 2003	3.7 cents

- (j) The Directors' Options are capable of being converted to shares by payment of the exercise price.
- (k) Under the Company's current circumstances, the Directors consider that the incentive to Eddie Lee which would be represented by the Directors' Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentives.
- (l) The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the Directors' Options to Eddie Lee pursuant to Resolution 4.
- (m) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits

contemplated by Resolution 4.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval for the issue of securities to a related party of the Company. As Eddie Lee is a related party of the Company as noted above, shareholder approval under Listing Rule 10.11 is sought for the issue of Directors' Options to him.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

1. the number of Directors' Options to be granted under Resolution 4 is 1,000,000;
2. the Directors' Options will be issued within one month of the date of the meeting;
3. the Directors' Options will be granted as incentive options hence will attract no issue price;
4. the allottee is Eddie Lee;
5. the terms and conditions of the Directors' Options are set out in Annexure A to this Explanatory Memorandum; and
6. no funds will be raised from the grant of the Directors' Options.

If approval is given for the issue of the Directors' Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Resolution 5 – Grant Directors' Options to David Atkinson

Shareholder approval is being sought in Resolution 5 to grant 1,000,000 Directors' Options to David Atkinson, a Director of the Company, for no issue price.

Related Party Transactions

Accordingly, shareholder approval pursuant to Chapter 2E of the Corporations Act is required for the issue of Directors' Options to David Atkinson.

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

The Directors' Options will be issued to David Atkinson.

The nature of the financial benefit

The proposed financial benefit is the grant to Mr Atkinson of 1,000,000 Directors' Options, for no issue price.

Directors' recommendation

The following Directors wish to make a recommendation about the proposed Resolution 5:

Directors	Recommendation
David Deitz Eddie Lee	The Directors recommend shareholders vote in favour of Resolution 5, as the Directors' Options

	are considered by the Directors to provide a cost effective means of giving an incentive to Mr Atkinson to advance the Company's interests in accordance with the directions given from time to time by the Board of Directors.
David Atkinson	Abstained from consideration and voting in respect of this recommendation, as he has an interest in the outcome of Resolution 5.

All of the Directors (other than Mr Atkinson) were available to consider the proposed resolution.

Interests of Directors

None of the Directors who voted in respect of the above recommendation have an interest in the outcome of Resolution 5.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.

- (a) The proposed resolution would have the effect of giving power to the Directors to grant 1,000,000 Directors' Options to David Atkinson.
- (b) The Company's advisers have valued the Directors' Options using the Black-Scholes Option Pricing Model ("**BSModel**"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables. Their assessment of the value of the Directors' Options has been prepared using the following variables:
 - the price of the underlying share is 3.1 cents which was the closing price on 14 October 2003, being the day the valuation was conducted;
 - the exercise price is 6 cents;
 - the Directors' Option term is 6 years;
 - a volatility factor of 60%; and
 - a risk free interest rate of 5.4%, as at 14 October 2003.

In deriving the valuation the BSModel relies upon the following assumptions:

- that the Directors' Options are American call options (ie. they can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Using the abovementioned variables the BSModel calculates the value of a Directors' Option to be one (1.0) cent each, giving a total value of \$10,000. Any change in the variables applied in the BSModel between the date of the valuation and the date the Directors' Options are granted would have an impact on their value.

- (c) Mr Atkinson receives a base fee of \$25,000 per annum for his role as Director. Therefore based on the above assumptions, the total financial benefit to be received by Mr Atkinson in the current period is \$35,000.
- (d) If the Directors' Options granted to David Atkinson are exercised, the effect would be to dilute the shareholdings of the existing shareholders.
- (e) As at the date of this Notice, the total issued capital of the Company comprised 110,916,758 ordinary fully paid shares. On a fully diluted basis assuming all options are exercised, the issue of 1,000,000 Directors' Options represents approximately 0.89% of the Company's total issued capital.
- (f) As at the date of this Notice, David Atkinson and his associates do not have any relevant interest in any securities in the Company.
- (g) The market price of the Shares during the term of the Directors' Options will normally determine whether or not the option holder exercises the Directors' Option. At the time any Directors' Options are exercised and Shares issued pursuant to the exercise of the Directors' Options, Shares may be trading on the ASX at a price which is higher than the exercise price of the Directors' Options.
- (h) The Directors' Options will not be quoted on ASX and as such have no actual market value. The Company does not currently have a quoted class of options on issue.
- (i) The following table gives details of the highest, lowest and latest price of the Company's shares trading on the ASX over the past 12 months ending on 23 October 2003:

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 23 October 2003
Ordinary Shares	3.7 cents	23 October 2003	1.3 cents	28 May 2003	3.7 cents

- (j) The Directors' Options are capable of being converted to shares by payment of the exercise price.
- (k) Under the Company's current circumstances, the Directors consider that the incentive to David Atkinson which would be represented by the Directors' Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentives.
- (l) The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the Directors' Options to David Atkinson pursuant to Resolution 5.
- (m) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 5.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval for the issue of securities to a related party of the Company. As David Atkinson is a related party of the Company as noted above, shareholder approval under Listing Rule 10.11 is sought for the issue of Directors' Options to him.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

1. the number of Directors' Options to be granted under Resolution 5 is 1,000,000;
2. the Directors' Options will be issued within one month of the date of the meeting;
3. the Directors' Options will be granted as incentive options hence will attract no issue price;
4. the allottee is David Atkinson;
5. the terms and conditions of the Directors' Options are set out in Annexure A to this Explanatory Memorandum; and
6. no funds will be raised from the grant of the Directors' Options.

If approval is given for the issue of the Directors' Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Resolution 6 – Participation of Directors in Placement

Subject to the passage of Resolution 2, the Company will be making a placement of up to 50,000,000 Shares.

Resolution 6 seeks shareholder approval pursuant to Listing Rule 10.11 to allow Messrs Deitz, Lee and Atkinson, Directors of the Company, to participate in the proposed placement by permitting each or all of them or their nominees to subscribe for in aggregate up to 8,000,000 Shares, on exactly the same terms as the placement that may be made to any other persons.

The Directors do not have any voting power in the Company as at the date of the Notice.

The impact of passing Resolution 6 on each Director's voting power in Gullewa, assuming that director receives the full placement of 8,000,000 Shares (although only 8,000,000 Shares in total could be issued to all Directors), is set out in the following table:

Directors	Shares	Options	Percentage voting power in the Company on an undiluted basis (<i>Total issued share capital of Gullewa is 160,916,758</i>)	Percentage voting power in the Company on a fully diluted basis (<i>Total issued share capital of Gullewa is 171,916,758</i>)
David Deitz	8,000,000	9,000,000	4.97	9.89
Eddie Lee	8,000,000	1,000,000	4.97	5.24
David Atkinson	8,000,000	1,000,000	4.97	5.24

The following further information is provided to shareholders for the purposes of Listing Rule 10.13:

1. the maximum number of Shares the Company can issue under Resolution 6 is 8,000,000 Shares which forms part of, and is NOT additional to, the 50,000,000 Shares to be issued pursuant to Resolution 2;
2. the Company will issue the Shares within one month of the date of the meeting;
3. the shares will be issued at a minimum issue price which is at least 80% of the average market price of ordinary shares in the capital of the Company trading on ASX over the last 5 days on which sales were recorded before the day on which the issue was made (or if there is a prospectus relating to the issue, over the last 5 days on which sales in the shares were recorded before the date of the prospectus);
4. a maximum of 8,000,000 Shares will be allotted and issued to each or all of Messrs Deitz, Lee and Atkinson or their respective nominees;
5. the Shares will be issued on the same terms as the Company's existing Shares; and
6. the funds raised will be used to assist in funding the Company's investigation into potential projects, assessing new projects and working capital.

GLOSSARY

"Allegiance" means Allegiance Mining NL ACN 059 676 783;

"ASX" means Australian Stock Exchange Limited;

"Company" means Gullewa Limited ACN 007 547 480;

"Corporations Act" means Corporations Act 2001 (Cth);

"Directors" means the Directors of the Company;

"Directors' Option" means an option to acquire one Share exercisable at 6 cents each, on or before 30 June 2009, on the terms and conditions set out in Annexure A to the Explanatory Memorandum accompanying this Notice of Meeting;

"Listing Rules" means the Listing Rules of the ASX;

"Notice of Meeting" or **"Notice"** means the notice of meeting which accompanies this Explanatory Memorandum; and

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

ANNEXURE A

TERMS OF DIRECTORS' OPTIONS

The terms and conditions of the Directors' Options the subject of Resolutions 3 – 5 are:

1. Each option shall be issued for no consideration.
2. Each option entitles the holder to subscribe for one ordinary share in Gullewa Limited ACN 007 547 480 ("**Company**") upon the payment of 6 cents per share subscribed for.
3. The options will lapse at 5.00 pm, Eastern Standard Time on 30 June 2009 ("**Expiry Date**").
4. The options are transferable and will not be listed for official quotation on the ASX.
5. There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
6. Optionholders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 10 business days before books closing date to exercise the options.
7. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
8. The options shall be exercisable at any time before the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the optionholder to exercise all or a specified number of options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.
9. The Company shall allot the resultant shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the options.
10. The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.