

WASHINGTON RESOURCES LIMITED
ACN 097 532 137

NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY MEMORANDUM

Date of Meeting: Thursday, 30th November 2006
Time of Meeting: 12.00 pm (WST)
Place of Meeting: 98 Colin Street
WEST PERTH WA 6005

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.

WASHINGTON RESOURCES LIMITED

ACN 097 532 137

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an annual general meeting of shareholders of Washington Resources Limited ACN 097 532 137 ("Washington" or "Company") will be held at 98 Colin Street, West Perth WA 6005 at 12.00pm (WST) on Thursday, 30th November 2006.

The Explanatory Memorandum that accompanies and forms part of this Notice of Annual General 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 the financial statements, Directors' report and auditor's report for the Company for the period ended 30 June 2006.

RESOLUTIONS

1. Adoption of Remuneration Report

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

"That the remuneration report for the Company for the year ended 30 June 2006 be adopted."

| |
|--|
| The vote on this resolution is advisory only and does not bind the directors or the Company. |
|--|

2. Re-election of (K.) Scott Huntly as a director

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

"That Mr (K.) Scott Huntly retires by rotation in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director."

3. Issue of Shares to Adrian Griffin under the Washington Resources Limited Share Plan

To consider and, if thought fit, to pass, with or without amendment, 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 authorize the issue of up to 750,000 Shares at an issue price of \$0.25 per Share to Adrian Griffin in accordance with the Washington Resources Limited 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 Washington) 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 Grant Button under the Washington Resources Limited Share Plan

To consider and, if thought fit, to pass, with or without amendment, 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 authorize the issue of up to 400,000 Shares at an issue price of \$0.25 per Share to Grant Button in accordance with the Washington Resources Limited 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 Washington) 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. Grant of Options to (K.) Scott Huntly under the Washington Resources Limited Option Plan

To consider and, if thought fit, to pass, with or without amendment, 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 authorize the grant of up to 400,000 Options (each to subscribe for one fully paid ordinary share in the capital of the Company and each exercisable at \$0.25 on or before 30 June 2010) to (K.) Scott Huntly or his nominee in accordance with the Washington Resources Limited Option Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum and to allot and issue up to 400,000 Shares on the valid exercise of those Options."

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 Washington) 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.

BY ORDER OF THE BOARD



Grant Button
Director
Dated: 19 October, 2006

WASHINGTON RESOURCES LIMITED

ACN 097 532 137

PROXY FORM

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

I/We _____

of _____

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

_____ shares in the Company

hereby appoint _____

of _____

or failing him/her/it _____

of _____

or failing him/her/it the Chairman as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at Washington Resources Limited, 98 Colin Street, West Perth, Western Australia, 6005 at 12 pm (WST) on Thursday 30 November 2006 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:

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 registered office of **Washington Resources Limited at 98 Colin Street, West Perth WA 6005, facsimile number +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 Washington Resources Limited.

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 7.00pm on Tuesday 28 November, 2006. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

WASHINGTON RESOURCES LIMITED

ACN 097 532 137

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Washington Resources Limited ("**Company**" or "**Washington**") in connection with the business to be conducted at an Annual General Meeting of shareholders to be held at 98 Colin Street, West Perth WA 6005 at 12.00pm (WST) on Thursday, 30th November 2006.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

1. Resolution 1 – Adoption of Remuneration Report

The remuneration report of the Company for the financial year ended 30 June 2006 is set out on pages 10-14 of the Company's 2006 annual report.

Pursuant to the Corporations Act, a resolution that the remuneration report to be adopted must be put to vote at the Company's annual general meeting. The vote on this resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

2. Resolution 2 - Re-election of director

It is a requirement under the Company's constitution that Mr (K.) Scott Huntly retire by rotation at the Annual General Meeting. Mr Huntly, being eligible for re-election pursuant to the Company's constitution, offers himself for re-election.

Nominations for election to the office of director must be received no later than the date that is five business days after the date of this notice or within such extended time as the directors may determine.

The remaining directors recommend to shareholders that Mr Huntly be re-elected.

3. Resolutions 3 to 5 – Issue of securities to directors

3.1 Details of Offers

The Company proposes to issue Plan Shares to two directors of the Company, Adrian Griffin and Grant Button, in accordance with the terms of the Share Plan and to grant Plan Options to (K.) Scott Huntly or his nominee in accordance with the terms of the Option Plan.

The proposed issue of Plan Shares and grant of Plan Options to the Recipient Directors 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 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. Resolutions 4 and 5 also seek shareholder approval for the issue of Shares and grant of Options under the Plans to non-executive Directors as part of their remuneration package. Although this is not in accordance with the recommendations contained in the Corporate Governance Council Guidelines, the Company considers that it is appropriate for non-executive Directors to participate in the Plans given the size of the Company.

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

Resolutions 3 to 5 seek shareholder approval for the issue of Plan Shares and grant of Plan Options to the Recipient Directors as follows:

| Name of director | Number of Shares | Number of Options |
|--------------------------|-------------------------|--------------------------|
| Adrian Griffin | 750,000 | - |
| Grant Button | 400,000 | - |
| (K.) Scott Huntly | - | 400,000 |

The number of Plan Shares and Plan Options proposed to be issued or granted to the Recipient Directors reflects the level of commitment provided or to be provided by each Director to the Company, taking into account the responsibilities of each Director and the time commitments required from each Director. The number of Plan Shares and Plan Options proposed to be issued or granted to the current Recipient Directors also reflects the value the Board feels that each Director brings to the enhancement of the Company and the level of commitment required by the Company from each Director.

The issue price of the Shares offered to Directors under the Share Plan and the exercise price of the Options to be granted to (K.) Scott Huntly under the Option Plan is \$0.25, being greater than the weighted average price of shares on ASX during the 5 day trading period immediately before 29 March 2006, the date of the offer, which was \$0.2106.

Each of the Plan Shares acquired pursuant to the offer may not be transferred or otherwise dealt with, and will not be quoted on ASX, until the later of the following to occur:

- (a) any loan in respect of the Plan Share is repaid; and
- (b) in respect of:
 - (i) one-third of the Plan Shares issued under the offer, 12 months after the date of issue of the Shares; and
 - (ii) another one-third of the Plan Shares issued under the offer, 24 months after the date of issue of the Shares; and
 - (iii) the remaining one-third of the Plan Shares issued under the offer, 36 months after the date of issue of the Shares.

Notwithstanding the above, Shares acquired under the Share Plan may be transferred following an 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, provided that the loan in respect of the Plan Shares is repaid.

The Plan Shares to be issued pursuant to Resolutions 3 to 4 and the Plan Options to be granted pursuant to Resolution 5 are in addition to the fee and remuneration packages payable by the Company to the Recipient Directors. In calculating the fee and remuneration packages provided to the Recipient Directors as set out in section 3.2(k) of the Explanatory Memorandum, the Board has taken into consideration the issues of securities proposed in Resolutions 3 to 5. The Board considers that the appropriate remuneration package for each of the Recipient Directors comprises both the remuneration set out in section 3.2(k) of the Explanatory Memorandum and the securities to be issued if Resolutions 3 to 5 are 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.

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 Plan Shares and grant of Plan Options to the Recipient Directors and provision of loans by the Company to two of the Recipient Directors to fund payment of the subscription price for the Plan 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 issues of Plan Shares and grant of Plan Options to the Recipient Directors and the provision of loans by the Company to two of the Recipient Directors to fund payment of the subscription price for the Shares:

- (a) Adrian Griffin, Grant Button and (K.) Scott Huntly are Directors to whom proposed Resolutions 3 to 5 would permit the financial benefits to be given;

- (b) the nature of the financial benefit to be given to Adrian Griffin is the issue of 750,000 Plan Shares and a loan in respect of those Shares, being \$187,500 as at the date of the Notice of Meeting;
- (c) the nature of the financial benefit to be given to Grant Button is the issue of 400,000 Plan Shares and a loan in respect of those Shares, being \$100,000 as at the date of the Notice of Meeting;
- (d) the nature of the financial benefit to be given to (K.) Scott Huntly is the issue of 400,000 Plan Options, exercisable at \$0.25 per Option on or before 30 June 2010;
- (e) it is proposed that the Plan Shares and Plan Options will be issued to Recipient Directors on one date within 12 months from the date of the Meeting, but the Company reserves its right to issue the Shares and Options progressively;
- (f) the Plan Shares will be issued under the Share Plan, the terms of which are summarized in Section 3.5.1 and the Plan Options will be granted under the Option Plan, the terms of which are summarized in Section 3.5.2 of this Explanatory Memorandum;
- (g) the Plan Options will be granted for no cash consideration and accordingly, no funds will be raised by the grant of the Plan Options to (K.) Scott Huntly. If all the Plan Options proposed to be granted to (K.) Scott Huntly are exercised, delivered and paid for, the Company will receive \$100,000. The funds raised from time to time due to the purchase of Shares issued as a result of the exercise of Plan Options will be used for working capital purposes, as the Board thinks fit;
- (h) initially no funds will be raised by the issue of shares to the Recipient Directors due to the provision of the Loans to two of the Recipient Directors. However, when the Loans have been repaid, the funds raised by the issue of the Plan Shares will be used for working capital purposes, as the Board thinks fit;
- (i) as at the date of this Notice, the capital structure of the Company is as follows:

| Capital | Number |
|-----------------|---------------|
| Ordinary Shares | 46,303,326 |
| Options | 36,306,660 |

If Shareholders approve all Resolutions contained in this Notice and all Options are granted and all Shares are issued as contemplated by this Notice, the issued capital of the Company would be as follows:

| Capital | Number |
|-----------------|---------------|
| Ordinary Shares | 47,453,326 |
| Options | 36,706,660 |

If Shareholders approve the issue of 1,150,000 Plan Shares to Directors, the effect will be to dilute the shareholding of existing members by approximately 2.43%, based on the existing number of Shares as at the date of this Notice.

If Shareholders approve the grant of 400,000 Options to (K.) Scott Huntly and all of those Options are exercised, the effect will be to dilute the shareholding of existing members by approximately 0.86% based on the existing number of Shares as at the date of this Notice.

If Shareholders approve the issue of 1,150,000 Plan Shares to the Recipient Directors and the issue of 400,000 Options to (K.) Scott Huntly and all of those Options are exercised, the effect will be to dilute the shareholding of existing members by approximately 3.24% based on the existing number of Shares as at the date of this Notice.

- (j) as at the date of this Notice, the Recipient Directors hold the following securities in the Company representing 2.75% of the issued capital of the Company on a fully diluted basis:

| Recipient Director | Number of Shares held directly | Number of Shares held indirectly | Number of Options held directly | Number of Options held indirectly |
|---------------------------|---------------------------------------|---|--|--|
| Adrian Griffin | 625,000 | - | 865,793 | - |
| Grant Button | - | - | - | 389,793 |
| (K.) Scott Huntly | - | - | 389,793 | - |

If Shareholders approve all Resolutions contained in this Notice, all Shares and Options are issued as contemplated by this Notice, the Recipient Directors will hold the following securities in the Company (representing 4.62% of the issued capital of the Company on a fully diluted basis and 3.83% assuming none of the Plan Options are exercised and based on the number of Shares currently on issue):

| Recipient Director | Number of Shares held directly | Number of Shares held indirectly | Number of Options held directly | Number of Options held indirectly |
|---------------------------|---------------------------------------|---|--|--|
| Adrian Griffin | 1,375,000 | - | 865,793 | - |
| Grant Button | 400,000 | - | - | 389,793 |
| (K.) Scott Huntly | - | - | 789,793 | - |

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

| Recipient Director | Cash, salary and fees | Super-annuation | Total |
|---------------------------|------------------------------|------------------------|--------------|
| | | | |

| | | | |
|-------------------|----------|---------|----------|
| Adrian Griffin | \$83,653 | \$7,529 | \$91,182 |
| Grant Button | \$14,920 | \$1,343 | \$16,263 |
| (K.) Scott Huntly | \$14,999 | - | \$14,999 |

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

| Recipient Director | Cash, salary and fees | Super-annuation | Non-monetary Benefit* | Total |
|--------------------|-----------------------|-----------------|-----------------------|-----------|
| Adrian Griffin | \$85,000 | \$8,000 | \$15,000 | \$108,000 |
| Grant Button | \$15,000 | \$1,400 | \$8,000 | \$24,400 |
| (K.) Scott Huntly | \$15,000 | - | - | \$15,000 |

*Subject to shareholder approval of Resolutions 3 to 5. This represents the benefit to the individual of interest not payable on the loans during the financial year.

- (l) the subscription price at which 1,150,000 Plan Shares may be issued to the Directors will be \$0.25 per Share (being greater than the weighted average price of Shares on ASX over the 5 trading days immediately before the date on which the Directors were offered the Shares, which was \$0.2106), in accordance with the terms of the Share Plan;
- (m) the Company will provide loans to Adrian Griffin and Grant Button in relation to the acquisition of the Plan Shares under the Share Plan. The loans are repayable within 4 years from the date of issue of the Shares. The other terms of the loans are set out in Section 3.5 of this Explanatory Memorandum;
- (n) the Plan Options are being granted for no consideration. The exercise price of the Plan Options is \$0.25 (being greater than the weighted average price of Shares on ASX over the 5 trading days immediately before the date on which Mr Huntly was offered the Plan Options, which was \$0.2106);
- (o) the market price for the underlying shares during the term of the Plan Options would normally determine whether or not Mr Huntly would exercise the Plan Options. If, at the time any of the Plan Options are exercised, the price of the underlying shares is higher than the exercise price of the Plan Options, there may be a perceived cost to the Company;
- (p) during the last 12 months before the date of lodgment of this Notice with ASIC, the highest trading price of the Shares was \$0.285 on 16 and 17 February 2006 and the lowest trading price of the Shares was \$0.125 on 30 June 2006. The market price of the Company's Shares over the 5 days of trading on ASX up to and including 18 October

2006 has been between a minimum of \$0.14 per Share to a maximum of \$0.175 per Share. On 18 October 2006, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.14 per Share;

- (q) assuming a market price on the date of repayment of the loans of \$0.14, being the market price on the last trading day before this Notice of Meeting was lodged with ASIC, the Company will receive \$161,000 from the issue of the Plan Shares to the Recipient Directors;
- (r) if (K.) Scott Huntly exercises the 400,000 Plan Options granted to him, the Company will receive \$100,000;
- (s) the primary purpose of the issue of the Plan Shares and grant of Plan Options to the Recipient Directors under the Plans 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 3 to 4 or granting the Plan Options proposed by Resolution 5;
- (t) the issue of securities to the Recipient Directors is a more cost effective incentive for the Company as opposed to the payment of cash compensation;
- (u) Adrian Griffin has a material personal interest in the outcome of Resolution 3, Grant Button has a material personal interest in the outcome of Resolution 4 and (K.) Scott Huntly has a material personal interest in the outcome of Resolution 5 as the recipients of the Shares proposed to be issued and Options proposed to be granted;
- (v) none of the Recipient Directors wishes to make a recommendation to Shareholders about Resolutions 3 to 5 because each has an interest in the outcome of those Resolutions;
- (w) a valuation of the Plan Options proposed to be issued to (K.) Scott Huntly has been calculated by HLB Mann Judd using the Black and Scholes option pricing model and based upon the following assumptions:
 - o the underlying value of each share in the Company is based on the closing share price of 14.0 cents as at 18 October 2006;
 - o risk free rate or return – 5.89% (based on the 5 year bond indicator rate as at 18 October 2006);
 - o share price volatility of 95.17%, determined utilizing the daily closing share prices of the Company for the preceding 12 months;
 - o Plan Options are exercisable on or before 30 June 2010;
 - o exercise price of \$0.25; and
 - o Plan Options are not transferable without the permission of the Directors and no application will be made to ASX for quotation of the options.

Based on the above, the Black and Scholes Option Pricing Model attributes a theoretical value to each Plan Option of 8.02 cents. This model assumes that the subject Plan Options can be sold on a secondary market. The terms and conditions of the Plan Options state that the options are not to be listed for official quotation on ASX. In addition, the Plan Options are not transferable. Accordingly a discount for lack of marketability is required to determine an indicative fair value of the Plan Options.

HLB Mann Judd has calculated an indicative fair value of the Plan Options, based on a discount factor of 30% applied to the theoretical valuation of the Plan Options, of 5.61 cents. In arriving at a discount factor of 30%, HLB Mann Judd has considered that

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

The table below summarizes the values attributed to the options:

| Allottee | Theoretical Value per option (cents) | Discount (%) | Indicative value per option (cents) | Number of options issued to Allottee | Total value (\$) |
|-------------------|--------------------------------------|--------------|-------------------------------------|--------------------------------------|------------------|
| (K.) Scott Huntly | 8.02 | 30 | 5.61 | 400,000 | 22,440 |

- (x) a valuation of the Plan Shares proposed to be issued to Adrian Griffin and Grant Button has been calculated by HLB Mann Judd using the Black and Scholes option pricing model and based upon the following assumptions:
- o the underlying value of each share in the Company is based on the closing share price of 14.0 cents as at 18 October 2006;
 - o risk free rate or return – 5.89% (based on the 5 year bond indicator rate as at 18 October 2006);
 - o share price volatility of 95.17%, determined utilizing the daily closing share prices of the Company for the preceding 12 months;
 - o Plan Shares to be issued to Adrian Griffin and Grant Button pursuant to Resolutions 3 to 4 will not be quoted on ASX and may not be transferred or otherwise dealt with until the later to occur of the following:
 - (A) any loan in respect of the Plan Shares is repaid; and
 - (B) in respect of:
 - (i) one-third of the Plan Shares issued under the offer, 12 months after the date of issue of the Shares; and
 - (ii) another one-third of the Plan Shares issued under the offer, 24 months after the date of issue of the Shares; and
 - (iii) the remaining one-third of the Plan Shares issued under the offer, 36 months after the date of issue of the Shares; and
 - o issue price of \$0.25.

Based on the above, the Black and Scholes Option Pricing Model attributes a theoretical value to each Plan Share of 2.99 cents for the Shares described in paragraph (B)(i), of 5.33 cents for the Shares described in paragraph (B)(ii) and of 7.08 cents for the Shares described in paragraph (B)(iii).

The Black and Scholes Option Pricing Model assumes that the securities the subject of the valuation can be sold on a secondary market. The terms and conditions of the Share Plan state that no application will be made for the shares to be listed for official quotation on ASX, until certain milestones are met. Accordingly a discount for lack of marketability is required to determine an indicative fair value of the Shares.

HLB Mann Judd has calculated an indicative fair value of the Plan Shares, based on a discount factor of 30% applied to the theoretical valuation of the shares, of 2.09 cents per Share for the Shares described in paragraph (B)(i), 3.76 cents per Share for the Shares described in paragraph (B)(ii) and 4.96 cents per share for the shares described in paragraph (B)(iii). For the purposes of arriving at an appropriate discount rate, HLB Mann Judd has considered:

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

The tables below summarize the values attributed by HLB Mann Judd to the Share issue:

First tranche (described in paragraph (B)(i)).

| Allottee | Theoretical Value per share (cents) | Discount (%) | Indicative value per share (cents) | Number of shares issued to Allottee | Total value (\$) |
|----------------|-------------------------------------|--------------|------------------------------------|-------------------------------------|------------------|
| Adrian Griffin | 2.99 | 30 | 2.09 | 250,000 | 5,225 |
| Grant Button | 2.99 | 30 | 2.09 | 133,333 | 2,787 |
| | | | | | \$8,012 |

Second tranche (described in paragraph (B)(ii)).

| Allottee | Theoretical Value per share (cents) | Discount (%) | Indicative value per share (cents) | Number of shares issued to Allottee | Total value (\$) |
|----------------|-------------------------------------|--------------|------------------------------------|-------------------------------------|------------------|
| Adrian Griffin | 5.38 | 30 | 3.76 | 250,000 | 9,400 |
| Grant Button | 5.38 | 30 | 3.76 | 133,333 | 5,013 |
| | | | | | \$14,413 |

Third tranche (described in paragraph (B)(iii)).

| Allottee | Theoretical Value per share (cents) | Discount (%) | Indicative value per share (cents) | Number of shares issued to Allottee | Total value (\$) |
|----------------|-------------------------------------|--------------|------------------------------------|-------------------------------------|------------------|
| Adrian Griffin | 7.08 | 30 | 4.96 | 250,000 | 12,400 |
| Grant Button | 7.08 | 30 | 4.96 | 133,333 | 6,613 |
| | | | | | \$19,013 |

Total.

| Allottee | Theoretical Value per share (cents) | Discount (%) | Indicative value per share (cents) | Number of shares issued to Allottee | Total value (\$) |
|----------------|-------------------------------------|--------------|------------------------------------|-------------------------------------|------------------|
| Adrian Griffin | 5.15 | 30 | 3.60 | 750,000 | 27,025 |
| Grant Button | 5.15 | 30 | 3.60 | 400,000 | 14,413 |
| | | | | | \$41,438 |

- (y) additional information in relation to Resolutions 3 to 5 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 Resolutions 3 to 5;
- (z) the Company will incur no liabilities or costs in respect of the proposed issue of the Plan Shares and Plan Options to the Recipient Directors other than:
- (i) the fees payable to ASX for quotation of the shares. At the rates applying at the date of this notice, these fees would be approximately \$2,420. However, these fees will not be payable until after the loans in respect of the Plan Shares have been repaid;
 - (ii) in relation to the Plan Options, a value, equal to the market value of the underlying shares that could be acquired by exercising the options, as at the day on which the Plan Options are granted, minus the lowest amount that must be paid to exercise the options to acquire those shares, will be included as wages for the purposes of *Pay-roll Tax Act 2002 (WA)*, *Payroll Tax Assessment Act 2002 (WA)* and the *Taxation Administration Act 2003(WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are

taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and

- (iii) in relation to the Plan Shares, a value equal to the weighted average trading price of shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of the *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and the *Taxation Administration Act 2003(WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction;
- (iv) the cost of the Shares will be expensed through the Company's income statement in accordance with AASB2 Share Based Payments; and

(aa) 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 Resolutions 3 to 5, other than as stated in this Explanatory Memorandum.

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) 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 Plan Shares and Options under the Plans, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

3.4 Listing Rule disclosure requirements

In accordance with Listing Rule 10.15, the following information is provided to Shareholders for the purposes of Resolutions 3 to 5:

- (a) Adrian Griffin, Grant Button and (K.) Scott Huntly are Directors;
- (b) the maximum number of Plan Shares that may be issued to Adrian Griffin under Resolution 3 is 750,000 Shares and to Grant Button under Resolution 4 is 400,000 Shares;
- (c) the maximum number of Plan Options that may be issued to (K.) Scott Huntly under Resolution 5 is 400,000 Plan Options;
- (d) No person referred to in Listing Rule 10.14 received any securities under the Share Plan since the date of the last approval ;

- (e) Directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries, may participate in the Plans;
- (f) it is proposed that the Plan Shares and Options will be issued to the Recipient Directors on one date within 12 months from the date of the Meeting, but the Company reserves its right to issue the Shares and Options progressively;
- (g) the issue price of the Plan Shares is \$0.25, being greater than the weighted average price of Shares on ASX over the 5 trading days prior to 29 March 2006, which was \$0.2106;
- (h) the exercise price of the Plan Options will be \$0.25;
- (i) subject to compliance with the Listing Rules, the Plan Shares to be issued to Adrian Griffin and Grant Button pursuant to Resolutions 3 to 4 will not be quoted on ASX and may not be transferred or otherwise dealt with until the later to occur of the following:
 - (A) any loan in respect of the Shares is repaid; and
 - (B) in respect of:
 - (i) one-third of the Plan Shares issued under the offer, 12 months after the date of issue of the Shares; and
 - (ii) another one-third of the Plan Shares issued under the offer, 24 months after the date of issue of the Shares; and
 - (iii) the remaining one-third of the Plan Shares issued under the offer, 36 months after the date of issue of the Shares;
- (i) other than the restriction on trading referred to above, the Plan Shares issued pursuant to Resolutions 3 to 4 will rank equally with all other Shares on issue and Shares issued as a result of the exercise of Plan Options granted pursuant to Resolution 5 will rank equally with all other Shares on issue;
- (j) the Company will provide loans to Adrian Griffin and Grant Button in relation to the acquisition of the Plan Shares under the Share Plan. The loans are repayable within 4 years from the date of issue of the Shares. The other terms of the loans are set out in Section 3.5.1 of this Explanatory Memorandum;
- (k) a summary of the terms of the Share Plan is set out in Section 3.5.1 of this Explanatory Memorandum and a summary of the terms of the Option Plan is set out in Section 3.5.2 of this Explanatory Memorandum. The Options will be granted on the terms and conditions set out in Schedule 1 to this Explanatory Memorandum;
- (l) initially no funds will be raised by the issue of Plan Shares due to the provision of the Loans to Recipient Directors. However, when the Loans have been repaid, the funds raised by the issue of the Shares will be used for working capital purposes of the Company as the Board thinks fit; and
- (m) the Plan Options will be granted for no cash consideration and accordingly, no funds will be raised by the grant of the Plan Options to (K.) Scott Huntly. If all the Plan Options proposed to be granted to K. Scott Huntly are exercised, delivered and paid for, the Company will receive \$100,000. The funds raised from time to time due to the delivery and purchase of any Shares issued as a result of the exercise of any of the Plan Options will be used for working capital purposes of the Company as the Board thinks fit.

3.5 Summary of Share Plan and Option Plan

3.5.1 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, or a duly appointed committee of 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 Company or any subsidiary;
- (b) the length of service of the Participant with the Company and its subsidiaries;
- (c) the record of employment of the Participant with the Company and its subsidiaries;
- (d) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries; 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 ASX during the 5 day trading period immediately before the date on which an offer was made) the weighted average trading price of the Shares on ASX during that period; or
- (b) (if there were no transactions in the Shares on ASX during that 5 day trading period immediately before the date on which an offer was made) the last price at which an offer was made on ASX 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 ASX 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, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.
- (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 and the Company will retain the Share Certificate in respect of the Loan Shares until the Loan amount 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 place shares with excluded offerees for the purposes of s708 of the Corporations Act or 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 either to repay the loan within one month or to allow the Company to place shares with excluded offerees for the purposes of s708 of the Corporations Act or 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, Shares issued under the Share Plan will not be quoted on ASX 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. If a Participant wishes to sell any Shares prior to the expiry of the qualifying period, the Participant may give written notice to the Company requesting the Company to sell the relevant Shares on ASX. The Directors have absolute discretion to arrange the sale of the Shares, in the case of hardship or otherwise, provided that the proceeds of sale are reasonably likely to exceed the outstanding Loan amount.

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, the Company will apply for quotation of those shares on ASX 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.

3.5.2 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, or a duly appointed committee of 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 Company or any subsidiary;
- (b) the length of service of the Participant with the Company and its subsidiaries;
- (c) the record of employment of the Participant with the Company and its subsidiaries;
- (d) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries;
- (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, in its absolute discretion, 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, the trustee of a trust in which the invitee is a beneficiary or object or the trustee of a superannuation fund of 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 ASX during the 5 trading day period immediately before the date of the offer) the weighted average of the prices at which the Shares were traded on ASX during that period; or
- (b) (if there were no transactions in the Shares on ASX during the 5 trading day period immediately before the date on which the offer is made, the last price at which an offer was made on ASX to purchase a Share.

Expiry Date - The expiry date of the options will be determined by the Board, but will not be more than 10 years. 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 equally in all respects with all Shares on issue and the Company will apply for quotation of those Shares on ASX.

Deferred delivery - Subject to the consent of the Board, South African Participants are entitled to immediately exercise or partially exercise an option. However, delivery and passing of ownership of the shares in respect of which the option is exercised will be postponed until any qualification period set out in the invitation has expired and the exercise price has been paid in full. The purchased Shares shall only be released to the South African Participant once the exercise price has been paid in full.

Rights on exercise of Option - Dividends will not accrue on the shares in respect of which the option was exercised until the exercise price has been paid in full in cash. No Participant may exercise any votes attaching to the Shares in respect of which the Option was exercised until the exercise price has been paid in full in cash.

GLOSSARY OF TERMS

In this Explanatory Memorandum the following expressions have the following meanings:

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

"**ASX**" means Australian Stock Exchange Limited.

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

"**Company**" or "**Washington**" means Washington Resources Limited ACN 097 532 137.

"**Constitution**" means the Company's constitution from time to time.

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

"**Directors**" means the directors of Washington from time to time.

"**Explanatory Memorandum**" means the explanatory memorandum that accompanies and forms part of this Notice.

"**Listing Rules**" means the Listing Rules of ASX.

"**Meeting**" or "**Annual General Meeting**" means the annual general meeting of shareholders of Washington convened by this Notice.

"**Notice**" or "**Notice of Annual General Meeting**" means the notice of annual general meeting which accompanies this Explanatory Memorandum.

"**Option**" means options to acquire Shares, each exercisable at \$0.25 on or before 30 June 2010, proposed to be granted pursuant to Resolution 5, the terms of which are set out in the Schedule to this Explanatory Memorandum.

"**Option Plan**" means the Washington Resources Limited Option Plan;

"**Plan**" means Share Plan or Option Plan.

"**Plan Option**" means an Option granted under the Option Plan.

"**Plan Share**" means a Share issued under the Share Plan.

"**Recipient Directors**" means Adrian Griffin, Grant Button and (K.) Scott Huntly.

"**Resolution**" means a resolution referred to in the Notice.

"**Share**" means an ordinary share in Washington Resources Limited.

"**Shareholder**" means a Washington shareholder.

"**Share Plan**" means the Washington Resources Limited Share Plan.

"**WST**" means western standard time.

Schedule 1 - Terms and conditions of the Options

The terms and conditions of the Options proposed to be granted to (K.) Scott Huntly pursuant to Resolution 5 are as follows:

1. The exercise of each Option will entitle the holder to one fully paid ordinary share in the capital of the Company.
2. The exercise price of each Option is \$0.25
3. The Options will expire on 30 June 2010.
4. The Shares issued pursuant to the exercise of Options can only be delivered and paid for after the expiry of the following periods ("**Qualification Period**") and in the following proportions:
 - o after 12 months have lapsed from the acceptance date, in respect of not more than one third of the total number of Shares;
 - o after 24 months have lapsed from the acceptance date, in respect of not more than one third of the total number of Shares; and
 - o after 36 months have lapsed from the acceptance date, in respect of the balance of those shares, except that a Participant may take delivery of and be liable to pay for Shares 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 for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
6. An Option holder is required to exercise the Option in order to participate in a bonus or entitlement issue of Shares made by the Company. Option holders 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.
7. If, prior to the expiry of an Option, there is a reorganization (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Shares subject to the Option and/or the 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 shares issued pursuant to the exercise of Options in accordance with the Listing Rules.
10. A certificate will be issued for Options, which certificate must take effect as a deed.
11. Application will not be made for official quotation of the Options on ASX.
12. Options are not transferable except with the prior written approval of the board of Directors.