CROWN DIAMONDS NL
ABN 16 050 541 332

NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT

For the Annual General Meeting to be held on
28 November 2003 at 11.00 am (Perth Time) at
The Rydges Hotel, Perth, Western Australia
This is an important document. Please read it carefully.

If you are unable to attend the Annual General Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.
TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the shareholders Crown Diamonds NL will be held at:

The Rydges Hotel
Cnr Hay and King Streets
PERTH WA 6000

Commencing at
11.00 am (Perth Time)
on 28 November 2003

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 11.00 am.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

• return the proxy form by post to Crown’s Share Registry, Computershare Investor Services Pty Limited, Level 2, Reserve Bank Building, 45 St Georges Terrace, Perth, Western Australia; or

• send the proxy by facsimile to the Company on facsimile number (08) 9277 5644 (International: + 61 (08) 9277 5644); or

• deliver the proxy to the registered office of the Company at 2A Sandringham Central, 86 Great Eastern Highway, Belmont, Western Australia,

so that it is received not later than 11.00 am (Perth Time) on 26 November 2003.

Your proxy form is enclosed.
CROWN DIAMONDS NL
ABN 16 050 541 332

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of Crown Diamonds NL (Crown or Company) will be held at The Rydges Hotel, Cnr Hay and Kings Street, Perth, Western Australia at 11.00 am (Perth Time) on 28 November 2003.

AGENDA

BUSINESS

ORDINARY BUSINESS

Annual Accounts

To receive, consider and adopt the financial reports of the Company for the year ended 30 June 2003 and the reports by the Directors and the Independent Auditor.

Resolution 1 – Re-election of a Director (Rotation)

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

“That Mr Charles Mostert being a director of the Company retires by rotation and, being eligible, is hereby re-elected as a director of the Company.”

Short Explanation: Pursuant to Article 13.2 of the Company’s Articles of Association, the Company requires that at the Annual General Meeting one third of the Directors for the time being shall retire from office. A retiring Director is eligible for re-election.

Resolution 2 – Re-election of a Director (Rotation)

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

“That Dr Denis Worrall being a director of the Company retires by rotation and, being eligible, is hereby re-elected as a director of the Company.”

Short Explanation: Pursuant to Article 13.2 of the Company’s Articles of Association, the Company requires that at the Annual General Meeting one third of the Directors for the time being shall retire from office. A retiring Director is eligible for re-election.

SPECIAL BUSINESS

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as special business.

Resolution 3 – Adoption of New Constitution

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a special resolution:
"That, in accordance with Section 136 of the Corporations Act, the Constitution signed by the Chairman for identification purposes is hereby approved and adopted as the Constitution of the Company in substitution for and to the exclusion of the existing Constitution of the Company."

**Short Explanation:** Pursuant to Section 136 of the Corporations Act, a company may adopt a new constitution by a special resolution passed at a general meeting. The Company proposes adopting a new Constitution to reflect the changes to the Corporations Act and Listing Rules since the current constitution was adopted by the Company.

**Resolution 4 – Re-appointment of Auditor**

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

"That, in accordance with Section 327(15) of the Corporations Act, the current auditors of the Company, KPMG, retires as auditor of the Company, and being eligible and having consented to act is hereby re-appointed as auditors of the Company."

**Short Explanation:** Pursuant to Section 327(15) of the Corporations Act a firm that holds office as auditor of a company that begins to be controlled by another corporation must retire at the next annual general meeting of the Company after it begins to be controlled by the corporation. A retiring auditor is eligible for re-election. Since the last Annual General Meeting of the Company, the Company has become controlled by Star Mining Limited (an entity incorporated pursuant to the laws of the British Virgin Islands).

**Resolution 5 – Selective Reduction of Capital**

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

"That, in accordance with Section 256C(2) of the Corporations Act and for all other purposes, approval is given for the Company to make a selective reduction of capital and cancel a total of 102,778 fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement."

**Short Explanation:** Under the Corporations Act, a company may not make a selective reduction of its capital without obtaining shareholder approval by a special resolution passed at a general meeting. The cancellation of 102,778 Shares is a selective reduction of capital and therefore must be approved by either a special resolution at a general meeting or by a resolution agreed to by all ordinary shareholders at a general meeting. Please refer to the Explanatory Statement for details.

**Resolution 6 – Issue of Convertible Notes to Mr John Baillie**

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

"That, for the purposes of Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue up to 416,667 convertible notes"
at a deemed issue price of $0.18 per convertible note to Mr John Baillie (a Director) or his nominee to satisfy a debt owing by the Company to Mr John Baillie totalling $75,000 pursuant to the terms of an executive services agreement between the Company and Mr John Baillie on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

**Short Explanation:** The ASX Listing Rules requires a company to seek shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision for any financial benefit (which includes a convertible note) requires shareholder approval pursuant to the related party provisions (Chapter 2E). Approval is sought to allow the Company to issue convertible notes to Mr John Baillie (a Director) in satisfaction of a debt owing by the Company to Mr John Baillie totalling $75,000 pursuant to the terms of an executive services agreement between the Company and Mr John Baillie. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who has received a financial benefit or any associates of those persons.

**Resolution 7 – Ratification of issue of Shares and Options to Mr S J Hwang**

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, shareholders ratify the allotment and issue of 2,319,812 fully paid ordinary shares in the capital of the Company together with 2,319,812 August 2004 options to subscribe for fully paid ordinary shares in the capital of the Company in satisfaction of a loan by Mr S J Hwang to the Company of $250,000 and for expenditure of $50,000 carried out on behalf of the Company as set out in the Explanatory Statement accompanying this Notice."

**Short Explanation:** An equity issue can be ratified by shareholders in accordance with the Listing Rules. This allows the Company the flexibility to issue securities in the future up to the threshold of 15% of its total securities in any 12 month period. Please refer to the Explanatory Statement for further details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who participated in the issue of the securities and any associates of those persons.

**Resolution 8 – Ratification of Issue of Convertible Notes**

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, shareholders ratify the issue by the Company of 5,202,718 convertible notes at an issue price of $0.18 each to raise $936,489 on the terms set out in the Explanatory Statement accompanying this Notice."

**Short Explanation:** An equity issue can be ratified by shareholders in accordance with the Listing Rules. This allows the Company the flexibility to issue securities in the future
up to the threshold of 15% of its total securities in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who participated in the issue of the securities and any associates of those persons.

**Resolution 9 – Issue of Convertible Notes to Star Mining Limited**

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

"That, for the purpose of Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited, Section 208 of the Corporations Act and for all other purposes, the Company be authorised to allot and issue up to 2,713,950 convertible notes at a deemed issue price of $0.18 each to Star Mining Limited on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

**Short Explanation:** The ASX Listing Rules requires a company to seek shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision for any financial benefit (which includes a convertible note) requires shareholder approval pursuant to the related party provisions (Chapter 2E). Star Mining Limited is deemed to be a related party for the purposes of the Listing Rules and the Corporations Act. Approval is sought to allow the Company to issue convertible notes to Star Mining Limited in part satisfaction of a debt owing by the Company to Star Mining Limited totalling $1,500,000. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who is to receive securities in relation to the entity and any associates of those persons.

**DATED THIS 31 DAY OF OCTOBER 2003**

**BY ORDER OF THE BOARD**

**JOHN BAILLIE**
**COMPANY SECRETARY**
NOTES:

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder’s voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.

2. Where a voting exclusion applies, 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.

3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 11.00 am (Perth Time) on 26 November 2003.

4. To be effective, the proxy form (and any power of attorney) must be lodged at the registered office of the Company not less than 48 hours before the time of holding the Meeting. The proxy may be lodged at the registered office of the Company or the Company’s share registry or by facsimile transmission to the facsimile number at the Company’s registered office, being (08) 9277 5644.

5. A copy of the power of attorney must be lodged for any proxy appointed under a power of attorney together with evidence of non revocation of the power of attorney.

6. A proxy for a corporation must be appointed under the common seal of the corporation or signed in accordance with the requirements of Section 127 of the Corporations Act.

7. A proxy form is attached. If required it should be completed, signed and returned to the Company’s registered office in accordance with the proxy instructions on that form.
EXPLANATORY STATEMENT

This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. GENERAL INFORMATION

This Explanatory Memorandum has been prepared for the shareholders of Crown in connection with the Annual General Meeting of the Company to be held on 28 November 2003.

2. THE RESOLUTIONS

2.1 Resolutions 1 and 2 - Re-election of Mr Charles Mostert and Dr Denis Worrall

In accordance with Article 13.2 of the Company's Articles of Association, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are those who have been longest in office since their appointment or last re-appointment or, for those who have been in office for the same length of time, by drawing lots (unless they otherwise agree amongst themselves). In accordance with this requirement, Mr Charles Mostert and Dr Denis Worrall have retired and offer themselves for re-election.

2.2 Resolution 3 – Adoption of New Constitution

Resolution 3 seeks the approval of shareholders to the adoption of a new Constitution for Crown. The Constitution to be adopted reflects the substantial changes to the ASX Listing Rules and the Corporations Act which has been made since the Company’s existing Constitution was adopted.

It also contains a number of provisions designed to promote the more efficient running of the Company, which should be of long term benefit to the Company and its shareholders.

It is not practicable to list all the changes to the Constitution in this Explanatory Statement and shareholders are invited to contact the Company if they have any queries or concerns.

A copy of the proposed new Constitution will be sent to any member upon request and will also be available for inspection at the Company's registered office during normal business hours prior to the Meeting and available for inspection at the Meeting.

2.3 Resolution 4 – Re-appointment of auditor

Pursuant to Section 327(15) of the Corporations Act a firm that holds office as auditor of a company that begins to be controlled by another corporation must
retire at the next annual general meeting of the Company after it begins to be controlled by the corporation. A retiring auditor is eligible for re-election.

Since the last annual general meeting of the Company, the Company has become controlled by Star Mining Limited (an entity incorporated pursuant to the laws of the British Virgin Islands).

Accordingly, pursuant to Resolution 4, the Company seeks the re-appointment of KPMG as the auditor of the Company in accordance with Section 327(15) of the Corporations Act. A shareholder of the Company has nominated KPMG as auditor of the Company. A copy of this nomination is annexed to this Memorandum. KPMG has consented to be the auditor of the Company.

2.4 Resolution 5- Reduction of Capital

2.4.1 Background

At the annual general meeting of the Company in November 2001, shareholders approved the allotment and issue of 30,000,000 Shares by the Directors on the terms and conditions set out in the explanatory statement that accompanied the notice of the 2001 annual general meeting (Authority).

ASX Listing Rule 7.1 imposes an obligation on the Company to allot and issue the Shares within 3 months from the date of the Company obtaining approval from its shareholders for the issue of the Shares. Accordingly, in late February 2002, the Directors resolved to place the Shares in terms of the Authority to raise $750,000.

The then corporate advisor to the Company was engaged to carry out the placement of the Shares pursuant to the Authority and subsequently placed 394,444 Shares ostensibly raising $284,000. Shares were allotted within the authorised time frame pending listing on ASX after the receipt of the funds from the corporate advisor. Transacting in the Shares was restricted until funds were received. In March 2002 the corporate advisor paid the Company $210,000 on behalf of that client and efforts to recover the balance owed in respect of the Shares issued have not been successful.

Accordingly, the Company has, with the consent of the defaulting allottee, resolved to cancel the 102,778 Shares that have not been paid for by way of a selective capital reduction.

Pursuant to Section 256C of the Corporations Act, a company may make a selective capital reduction if it is approved by a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced. If the reduction of capital involves the cancellation of shares, the reduction must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.

The Company has obtained approval from the defaulting allottee for the cancellation of the 102,778 Shares.
2.4.2 Corporations Act Requirements

The Corporations Act provides that the rules relating to a reduction of share capital are designed to protect the interests of shareholders and creditors by:

(a) addressing the risk of the transaction leading to the Company’s solvency;

(b) seeking to ensure fairness between the shareholders of the Company; and

(c) requiring the Company to disclose all material information.

In particular, Section 256B of the Corporations Act requires that a Company may only reduce its capital if:

(a) it is fair and reasonable to the shareholders as a whole;

(b) it does not materially prejudice the Company’s ability to pay its creditors; and

(c) it is approved by shareholders in accordance with Section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that the Company must include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to shareholders.

The Directors believe that the capital reduction as proposed is fair and reasonable to shareholders for the reasons set out in this Explanatory Statement and that the capital reduction will not prejudice the Company’s ability to pay its creditors. In essence, the Directors believe the selective capital reduction is fair and reasonable to shareholders because the Company is not providing any consideration for the cancellation and the Shares to be cancelled have not been paid for by the allottee. Further, the Directors believe it is appropriate that the Shares be cancelled in the circumstances.

Pursuant to Section 256C(2) of the Corporations Act, a selective reduction of capital must be approved by either:

(a) a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced, or by their associates; or

(b) a resolution agreed to, at a general meeting by all ordinary shareholders.

The phrase “no votes being cast” is intended to operate in a similar way to the way in which voting exclusion statements operate in the context of the Listing Rules.
2.4.3 **Summary of and effect of proposed selective capital reduction**

The reason the Company wishes to make a selective capital reduction and cancellation of 102,778 Shares is that the allotees of the 102,778 Shares have not paid for the issue the Shares. The overall effect of the selective capital reduction and cancellation of the 102,778 Shares is as follows:

<table>
<thead>
<tr>
<th>Issued Capital</th>
<th>175,698,204</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Shares the subject of the capital reduction and cancellation</td>
<td>102,778</td>
</tr>
<tr>
<td><strong>Issued capital upon completion of selective capital reduction and cancellation of Shares</strong></td>
<td><strong>175,595,426</strong></td>
</tr>
</tbody>
</table>

The Shares the subject of the selective capital reduction and cancellation represent 0.05% of the issued capital of the Company. The capital reduction will have no effect on the control of the Company.

The cancellation of the 102,778 Shares will not have a financial effect on the Company as the Shares have not been paid for and will be cancelled for nil consideration.

2.4.4 **Directors Recommendation**

The Directors believe that the proposed capital reduction is in the best interests of shareholders because the 102,778 Shares have not been paid for. The Directors strongly recommend that shareholders vote in favour of the Resolution.

The Directors hold the following securities in the Company:

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Dippenaar</td>
<td>5,120,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Jim Davidson</td>
<td>5,100,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Charles Mostert</td>
<td>2,905,556(^1)</td>
<td>160,293</td>
</tr>
<tr>
<td>John Baillie</td>
<td>115,556</td>
<td>Nil</td>
</tr>
<tr>
<td>Denis Worrall</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

\(^1\) These Shares are held in the name of Daruma Investments Pty Ltd.

The Directors confirm that they intend to vote in favour of Resolution 5 in respect of their shareholding in the Company. No Director has an interest in the selective capital reduction and cancellation other than as holders of securities in the Company.
2.4.5 Other Material Information

There is no information material to the making of a decision by a shareholder whether or not to approve Resolution 5 being information that is known to any of the Directors and which has not been previously disclosed to shareholders in the Company, other than as disclosed in this Explanatory Statement.

Once Resolution 5 is passed, the Company will not make the reduction of capital until 14 days after lodgement of the Resolution with the ASIC.

2.5 Resolution 6 - Issue of Convertible Notes to Mr John Baillie

2.5.1 Background

Pursuant to an executive services agreement between the Company and John Baillie dated 2 November 2001 (Agreement), the Company may pay John Baillie a performance based bonus (in addition to his salary) after taking into account the satisfaction by John Baillie of certain key performance indicators set by the Company from time to time (Performance Bonus). John Baillie is owed by the Company a Performance Bonus of $75,000.

Pursuant to a prospectus dated 8 September 2003 the Company made an offer to raise $7,500,000 through the issue of convertible notes at an issue price of $0.18 per convertible note (Capital Raising). The Company wishes to issue up to 416,667 convertible notes to Mr John Baillie (a Director) on the same terms as the Capital Raising the material terms of which are contained in Annexure A in satisfaction of the Performance Bonus owing by the Company to John Baillie.

2.5.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

If Resolution 6 is passed, convertible notes will be issued to John Baillie (a Director), who will be a related party of the Company at the time of issue of the convertible note.

Accordingly, approval for the issue of the convertible notes to Mr John Baillie is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the convertible notes as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of convertible notes to Mr John Baillie will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:
(a) the Company will issue 416,667 convertible notes at a deemed issue price of $0.18 per convertible note pursuant to Resolution 6;

(b) the allottee of the convertible notes is John Baillie and or his nominee;

(c) the convertible notes will be issued on the same terms as the convertible notes offered pursuant to a prospectus by the Company dated 8 September 2003 the material terms of which are set out in Annexure A to this Explanatory Statement;

(d) the convertible notes will be issued not later than 1 month after the date of this Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the convertible notes will be issued on one date; and

(e) there will be no funds raised from the issue of the convertible notes as they will be issued for nil cash consideration. They are being issued as consideration of the Performance Bonus owing by the Company to Mr John Baillie totalling $75,000.

2.5.3 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 2.5.3 of this Explanatory Statement.

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

(a) the proposed financial benefit to be given is the issue of 416,667 convertible notes at a deemed issue price of $0.18 each to John Baillie or his nominee on the terms set out in Annexure A to this Explanatory Statement;

(b) the convertible notes are issued in consideration for the Performance Bonus owing by the Company to John Baillie totalling $75,000 pursuant to the Agreement;

(c) the Directors (other than John Baillie) consider that the proposed allotment and issue of the convertible notes pursuant to Resolution 6 is in the best interests of the Company as it is issued in satisfaction of an amount owing by the Company to John Baillie totalling $75,000 and are an incentive to John Baillie to act in the best interests of the Company in the provision of his future services to the Company. The Directors (other than John Baillie) considers that the issue of the convertible notes to John Baillie is fair and reasonable given the convertible notes will be issued on the same terms as those issued to all other investors as part of the Capital Raising. The Directors (other than John Baillie) recommend that shareholders vote in favour of the Resolution 6;

(d) in the last 12 months, John Baillie has been paid (or is owed) $162,090 (including superannuation) for services performed for (or on behalf of) the Company;
(e) if shareholders approve the issue of convertible notes to John Baillie and all or any of the convertible notes are converted to Shares, the effect will be to dilute the shareholding of existing shareholders. The market price for Shares during the term of the convertible notes would normally determine whether or not John Baillie converts the convertible notes into Shares. Subject to any adjustments arising from further issues of securities by the Company, and assuming each convertible note converts to 1 Share based on the current Share price, 416,667 Shares will be allotted and issued to John Baillie with the effect that the shareholding of existing shareholders will be diluted by approximately 0.23% (based on 178,931,905 Shares on issue and assuming no Options are exercised or convertible notes converted);

(f) John Baillie declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of that Resolution; and

(g) none of the remaining Directors decline to make a recommendation about the resolution.

2.6 Resolution 7 – Issue of Shares to Mr S J Hwang

2.6.1 Background

Pursuant to an agreement between the Company and S J Hwang (Hwang) dated 2 July 2002, Hwang lent the Company $250,000 (Loan). In May 2003, the Company incurred expenditure of $50,000 in the relocation of its offices to Belmont (Expenditure).

Both the Loan and Expenditure were repayable in Shares (and a free attaching Option) at a price equal to 80% of the market price at the Shares of the time of conversion. The Company converted the Loan and Expenditure into 2,319,812 Shares and 2,319,812 Options on 22 October 2003. Accordingly, Resolution 7 seeks ratification for the issue of Shares and Options to Hwang pursuant to ASX Listing Rule 7.4 to reinstate the Company’s capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

2.6.2 ASX Listing Rules

ASX Listing Rule 7.1 requires that a company obtain shareholder approval prior to the issue of securities representing more than 15% of the issued capital of the Company in any 12 month period.

ASX Listing Rule 7.4.2 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in general meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification for the issue of 2,319,812 Shares together with 2,319,812 August 2004 Options is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company’s capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.
ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

(a) the total number of Shares in the capital of the Company allotted and issued was 2,319,812;

(b) the total number of Options allotted and issued was 2,319,812;

(c) the Shares were issued at a deemed issue price of 14.64 cents each (together with a free attaching Option), to extinguish the Loan, interest on the Loan and the Expenditure;

(d) the Shares issued ranked equally with Shares on issue;

(e) the Options were issued on the terms set out in Section 2.6.3

(f) the Shares and Options were issued on 22 October 2003 to Hwang;

(g) the funds advanced by way of the Loan were principally applied towards the due diligence expenditure undertaken in verifying Star Mining Limited assets while the Expenditure was incurred in establishing the registered office of the Company in Belmont, Western Australia. The Shares and Options issued to Hwang were issued in satisfaction of the Loan and Expenditure. Accordingly, no funds were raised by the issue of the securities to Hwang.

2.6.3 Terms of Options

The Options issued pursuant to Resolution 7 were issued on the following terms:

(a) each Option entitles the holder, when exercised, to one (1) Share;

(b) the Options are exercisable at any time on or before 31 August 2004;

(c) the exercise price of the Options is $0.045;

(d) subject to the Corporations Act, the Constitution and the ASX Listing Rules, the Options are fully transferable;

(e) the Options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the Option holder to exercise a specified number of Options, accompanied by an Option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder’s right to exercise the balance of any Options remaining;

(f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company’s then issued Shares;

(g) the Options will not be listed on the Official List;
(h) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of Options to shareholders during the currency of the Options. However, the Company will ensure that, for the purpose of determining entitlements to any issue, Option holders will be notified of the proposed issue at least seven (7) business days before the record date of any proposed issue. This will give Option holders the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue; and

(i) in the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the Options, all rights of the Option holder will be varied in accordance with the ASX Listing Rules.

2.7 Resolution 8 - Ratification of Issue of Convertible Notes

2.7.1 Background

On 8 September 2003, the Company issued a prospectus for the offer of 30,000,000 convertible notes at $0.18 each to raise up to $5,400,000 with provision to accept oversubscriptions of up to a further 11,666,667 convertible notes to raise an additional $2,100,000 (Offer). The Offer has now closed and the Company accepted oversubscriptions of a further $1,536,489. At the general meeting of shareholders held on 9 October 2003, shareholders approved the issue of 33,333,333 convertible notes at an issue price of $0.18 per convertible note to raise up to $6,000,000. Pursuant to Resolution 8, the Company seeks ratification for the issue of 5,202,718 convertible notes pursuant to the Offer that were not previously approved by shareholders.

2.7.2 ASX Listing Rule

ASX Listing Rule 7.1 requires that a company obtain shareholder approval prior to the issue of shares or securities convertible into shares (such as a convertible note) representing more than 15% of the issued capital of the Company.

ASX Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification for the issue of 5,202,718 convertible notes is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company’s capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

(a) the total number of convertible notes allotted and issued that the Company hereby seeks ratification was 5,202,718;
(b) the convertible notes were issued at 18 cents each, raising $936,489;

(c) the convertible notes were issued on 24 October 2003;

(d) the convertible notes were allotted and issued to subscribers to the Company's prospectus dated 8 September 2003;

(e) the terms and conditions of the convertible notes are set out in Annexure A to this Explanatory Statement; and

(f) the funds raised from the Offer will be applied for working capital, plant and equipment at the Messina Mine and Star Mine, shafts at the Messina Mine and Star Mine, development of the Messina Mine and Star Mine and payment of $636,489 in part satisfaction of a debt owing by the Company to Star totaling $1,500,000.

2.8 Resolution 9 – Issue of Convertible Notes to Star Mining Limited

2.8.1 Background

Pursuant to the terms of the share sale agreement between the Company, Star Mining Limited (“Star”), Mr C J Dippenaar, Mr J M Davidson and Messina Investments Limited $1,500,000 (Star Debt) of the purchase consideration of $34.2 million will become due and payable by the Company after using its best endeavors to raise $7,500,000 before the 31 December 2003 or the Star Debt will accrue as a liability at that date. The Company has recently completed a Offer (see resolution 8) raising $6,936,489 in total. The funds raised pursuant to the Offer will, in part, be used to satisfy $636,489 of the Star Debt.

The Company and Star have agreed, subject to obtaining shareholder approval, to discharge a further $488,511 of the Star Debt by issuing 2,713,950 convertible notes on the same terms as the convertible notes issued pursuant to the Offer.

The remaining balance of the Star Debt of $375,000 will accrue as a liability at the 31 December 2003.

2.8.2 ASX Listing Rules

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

For the purposes of the Corporations Act and the Listing Rules, Star is deemed to be a related party of the Company.

Accordingly, approval is sought for the issue of the convertible notes to Star pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the convertible notes as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of convertible notes to Star will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.
ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 9:

(a) the Company will issue 2,713,950 convertible notes at a deemed issue price of $0.18 per convertible note pursuant to Resolution 9;

(b) the allottee of the convertible notes is Star and or its nominee;

(c) the convertible notes will be issued on the same terms as the convertible notes offered pursuant to a prospectus by the Company dated 8 September 2003 the material terms of which are set out in Annexure A to this Explanatory Statement;

(d) the convertible notes will be issued not later than 1 month after the date of this Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the convertible notes will be issued on one date; and

(e) there will be no funds raised from the issue of the convertible notes as they will be issued for nil cash consideration. They are being issued to fully discharge the Star Debt.

2.8.3 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 2.5.3 of this Explanatory Statement.

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

(a) the proposed financial benefit to be given is the issue of 2,713,950 convertible notes at a deemed issue price of $0.18 each to Star or its nominee on the terms set out in Annexure A to this Explanatory Statement;

(b) Star currently holds 124,950,000 Shares in the Company and no Options or convertible notes. Further, Star has not been remunerated by the Company for any services in the last 12 months;

(c) the convertible notes are issued to fully discharge the Star Debt;

(d) the Directors consider that the proposed allotment and issue of the convertible notes pursuant to Resolution 9 is in the best interests of the Company as they are being issued to fully discharge the Star Debt. The Directors consider that the issue of the convertible notes to Star is fair and reasonable given the convertible notes will be issued on the same terms as those issued to all other investors pursuant to the Offer. The Directors recommend that shareholders vote in favour of Resolution 9;

(e) if shareholders approve the issue of convertible notes to Star and all or any of the convertible notes are converted to Shares, the effect will be to
dilute the shareholding of existing shareholders. The market price for Shares during the term of the convertible notes would normally determine whether or not Star converts the convertible notes into Shares. Subject to any adjustments arising from further issues of securities by the Company, and assuming each convertible note converts to 1 Share and based on the current Share price, 2,713,950 Shares will be allotted and issued to Star with the effect that the shareholding of existing shareholders will be diluted by approximately 1.5% (based on 180,629,188 Shares on issue and assuming no Options are exercised or convertible notes converted); and

(f) none of the Directors decline to make a recommendation about Resolution 9.

2.9 Information concerning Crown’s Shares

For the information of shareholders, the highest and lowest recorded sale prices of Shares as traded on ASX during the last 12 months immediately preceding the date of this Explanatory Statement, and the respective dates of those sales were:

<table>
<thead>
<tr>
<th>Date</th>
<th>Highest Price</th>
<th>Lowest Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 October</td>
<td>25 cent</td>
<td>8.4 cents</td>
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<tr>
<td>30 July</td>
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<td></td>
</tr>
</tbody>
</table>

The Share price as at the date of this Explanatory Statement (being 28 October 2003) was 22.5 cents.

3. ENQUIRIES

Shareholders are invited to contact the Company Secretary, Mr John Baillie, on (08) 9277 5644 if they have any queries in respect of the matters set out in these documents.
23 October 2003

The Company Secretary
Crown Diamonds NL
2A Sandringham Central
86 Great Eastern Highway
BELMONT WA 6104

NOMINATION OF AUDITOR

I, John Baillie, a shareholder of Crown Diamonds NL (ABN 16 050 541 332), hereby nominate pursuant to section 328(1) of the Corporations Act (Cmth) 2001, KPMG of 152-158 St George’s Terrace, Perth, Western Australia for appointment as auditor of the Company at the next Annual General Meeting of the Company or any adjournment thereof.

Yours faithfully,

John Baillie
ANNEXURE A

TERMS OF ISSUE OF THE CONVERTIBLE NOTES TO BE ISSUED PURSUANT TO RESOLUTION 6

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Terms, unless the context otherwise requires:

Allotment Date means the date that Shares are allotted in respect of a conversion of the Convertible Notes being not more than 3 Business Days after the Conversion Date (unless otherwise agreed by the Parties).

ASIC means Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

ASX Listing Rules means the official listing rules of ASX.

Business Day has the meaning given to that term in the ASX Listing Rules.

Charge means the deed of fixed and floating charge executed by the Company and the Trustee for the benefit of the Noteholders or such other form of security or securities which, in the Company's reasonable opinion adequately protects the monies payable.

Completion Date means the date the Convertible Notes are issued by the Company to the Noteholders.

Constitution means the constitution of the Company.

Conversion Date means the date of delivery of a Conversion Notice to the Company by the Noteholder.

Conversion Notice means the conversion notice referred to in these Terms that is given by a Noteholder to the Company, in a form reasonably acceptable to the Company, to advise the Company that it wishes to convert the whole, or portion, of the Noteholder's Convertible Notes.

Conversion Period means the period commencing on the Completion Date and ending on the last Business Day before the date upon which the Convertible Notes are repaid in full or converted into Shares in their entirety, or the Redemption Date, whichever is the earlier.

Convertible Notes means redeemable convertible notes issued to a Noteholder pursuant to Resolution 6, 8 or 9.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company from time to time.

Interest Period means in respect of each Convertible Note:
(a) in relation to the first Interest Period the Convertible Note – a period which commences on the Completion Date and ends at the end of the next calendar quarter after the Completion Date; and

(b) in relation to any subsequent Interest Period – a period beginning at the end of the last mentioned date in (a) above and ending at the end of the next calendar quarter,

but, provided that the Subscription Sum Outstanding in respect of the Convertible Note is repaid in full on the Redemption Date, any Interest Period in respect of the Convertible Note ends on the Redemption Date for the Note.

**Issue Price** means $0.18.

**Monies Payable** means, at any particular time, the value of the Convertible Notes calculated at the Issue Price together with any interest accrued which has not been repaid or converted into Shares.

**Noteholders** means all of the holders of Convertible Notes, from time to time.

**Note Certificate** means a certificate for the Convertible Notes issued by the Company to the Noteholder.

**Party** means a party to these Terms.

**Redemption Date** means 30 November 2005.

**SCH Business Rules** has the meaning given to that term in the Corporations Act.

**Security** means the Charge.

**Share** means a fully paid ordinary share in the capital of the Company ranking pari passu with the existing issued ordinary share capital of the Company.

**Subscription Sum** means the amount paid or deemed to have been paid by a Noteholder for Convertible Notes pursuant to Resolution 6, 8 and 9, being $0.18 per Convertible Note.

**Subscription Sum Outstanding** means, in respect of each Convertible Note:

(a) an amount in dollars equal to the difference between the Subscription Sum and that portion or those portions of the Convertible Note that have been previously repaid or converted (if at all and as the case may be) in accordance with these Terms; and

(b) which amount is evidenced on the Note Certificate most recently issued by the Company to the Noteholder.

**Terms** means these terms of issue.

**Trust Deed** means the trust deed executed between the Company and the Trustee for the benefit of the Noteholders.
Trustee means Forrest Equities Pty Ltd of South Mill Centre, South Perth.

Volume Weighted Average Price of the Shares means the average of the daily volume weighted average sale price of Shares sold on ASX over the twenty (20) consecutive Business Days prior to the date of the service of the relevant Conversion Notice.

1.2 In these Terms, unless the context otherwise requires:

(a) every covenant, agreement, representation or warranty expressed or implied in which more persons than one covenant, agree represent or warrant shall bind such persons and every two or more of them jointly and each of them severally;

(b) reference to any Party shall mean and include a reference to that Party, his or its successors or personal representatives (as the case may be) assigns and transferees;

(c) the word "person" shall include a corporation;

(d) words importing a masculine gender shall include the feminine and neuter genders;

(e) the singular shall include the plural and vice versa;

(f) reference to any statute shall include all statutes amending or consolidating the statutes referred to;

(g) a reference to a recital, clause or schedule is a reference to a recital, clause or schedule of these Terms;

(h) a reference to currency is to the currency of the Commonwealth of Australia;

(i) the recitals to these Terms are incorporated in and form part of these Terms; and

(j) any term or phrase which is defined in the Corporations Act and which is not defined in these Terms shall have the meaning specified in the Corporations Act.

2. CONVERTIBLE NOTES

2.1 Face Value

Each Convertible Note shall have a face value equal to the Issue Price.

2.2 General

The Convertible Notes:

(a) are governed by these Terms; and

(b) rank and will at all times rank pari passu without any preference amongst the other Convertible Notes on issue.
2.3 Convertible Notes Secured

The obligations of the Company under the Convertible Notes will be secured by the Charge.

2.4 Listing on ASX

The Company will make an application for quotation of the Convertible Notes on the official list of ASX.

2.5 Voting Rights

The Convertible Notes shall not provide for any voting rights at shareholder meetings of the Company.

2.6 Transfer

The Noteholder shall be permitted to transfer all or any portion of the Convertible Notes on the condition that the Noteholder procures that the assignee of the Convertible Notes agrees to be bound by the terms and conditions of these Terms.

3. INTEREST

3.1 Interest Rate

Each Convertible Note shall bear interest at the rate of 11% per annum (Interest Rate) on the Subscription Sum Outstanding.

3.2 Calculation of Interest

(a) Interest on each Convertible Note is payable from the Completion Date until (and including) the earlier of:

(i) the Redemption Date; and

(ii) the date the Convertible Notes are converted into Shares in their entirety in accordance with clause 4;

(b) The amount of any interest payable on each Convertible Note in any period under these Terms:

(i) is cumulative;

(ii) accrues monthly; and

(iii) will be calculated at the Interest Rate on the Subscription Sum Outstanding for the number of days in the Interest Period compounding annually.

3.3 Payment of Interest

The Company shall pay the Trustee all interest accruing in arrears in respect of each Convertible Note within two (2) Business Days of the end of each Interest
Period. Pursuant to the terms of the Trust Deed, the Trustee will remit such interest to the Noteholder.

3.4 Interest shall cease

For the avoidance of doubt, interest shall cease to be payable in respect of any Convertible Note:

(a) from the Allotment Date upon conversion of the Convertible Notes; or

(b) the date of repayment of the Convertible Notes,

in accordance with these Terms unless default is made by the Company in effecting such conversion or repayment in which case interest shall accrue until the conversion or repayment is actually effected or made by the Company.

4. CONVERSION OF CONVERTIBLE NOTES

4.1 Conversion

Subject to this clause 4, the Convertible Notes shall be convertible into Shares in whole or in part (to the extent to which the Convertible Notes have not already been repaid by the Company pursuant to clause 6) at the sole discretion of the Noteholder at any time prior to the Redemption Date.

4.2 Conversion Ratio

Subject to clause 4.3, on conversion, the number of Shares to be issued for each Convertible Note converted, must be the Issue Price divided by the lesser of 85% of the Volume Weighted Average Price of the Shares or the Issue Price, subject to a maximum of four (4) Shares. If the number of Shares to be issued upon the conversion of some or all of the Noteholder’s Convertible Notes is not a whole number, the number of Shares shall be rounded down to the nearest whole number.

4.3 Minimum Conversion

Notwithstanding the foregoing, if the Noteholder wishes to convert a portion of the Convertible Notes into Shares, the Noteholder must convert a minimum parcel of 25% of the Convertible Notes that the Noteholder holds as at the Completion Date.

4.4 Conversion Notice

If the Noteholder wishes to convert all or a portion of the Convertible Notes into Shares, the Noteholder must deliver to the Company a duly completed and executed Conversion Notice and the Note Certificate, or such other evidence of title as to ownership of the Convertible Notes as is acceptable to the Directors.

4.5 Conversion Notice cannot be withdrawn

A Conversion Notice once issued cannot be withdrawn without the consent in writing of the Company.
4.6 Conversion Notices

On conversion of the Convertible Notes the Noteholder irrevocably and unconditionally consents to be a member of the Company and agrees to be bound by the Constitution of the Company.

4.7 Redemption Date

The Convertible Notes will not be converted if the Conversion Notice is not served on the Company prior to the Redemption Date.

5. ALLOTMENT OF SHARES

5.1 Allotment on Conversion

The Company shall allot and issue the Shares to which the Noteholder is entitled upon conversion of all or a portion of the Convertible Notes on the Allotment Date.

5.2 Compliance with ASX Listing Rules and the SCH Business Rules

The Company must effect the issue to the Noteholder of the Shares to which the Noteholder is entitled upon conversion of all or a portion of the Convertible Notes in a manner required or permitted by the ASX Listing Rules and the SCH Business Rules (if applicable).

5.3 New Note Certificate

The Company shall forward free of charge to the Noteholder (or such other person as it may in writing request) a holding statement for the Shares allotted on conversion of a portion of or all of the Convertible Notes and shall also send free of charge to the Noteholder, or other person as nominated by the Noteholder, a Note Certificate in respect of any portion of the Convertible Notes remaining unconverted.

6. EARLY REDEMPTION BY THE COMPANY

The Company will have no early redemption rights. All of the Convertible Notes issued to the Noteholder may only be redeemed by the Company on the Redemption Date in accordance with clause 8 of these Terms.

7. EARLY REDEMPTION BY NOTEHOLDER

The Trustee may, on behalf of the Noteholders, require the repayment of the Subscription Sum of the Convertible Notes in the following circumstances:

(a) non payment of interest by the Company in accordance with these Terms; or

(b) the Convertible Note cannot be converted without breaching the law; or

(c) a liquidator is appointed to the Company (or other similar event).
8. **REDEMPTION**

8.1 **Payment of Monies Payable**

In the event that some or all of the Convertible Notes are not converted into Shares on or before the Redemption Date, the Company covenants with the Noteholder that it shall pay to the Noteholder the Monies Payable on the Redemption Date.

8.2 **Satisfaction of Company's obligations**

The payment by the Company to the Noteholder under clause 8.1, operates in satisfaction of the Company's obligation to the Noteholder in respect of the Monies Payable.

9. **RECONSTRUCTIONS**

9.1 **Reconstructions**

In the event of a reconstruction of the issued capital of the Company (other than by way of a bonus issue, rights issue or other security issue), a proportionate adjustment will be made to the number and issue price of Shares to which the Noteholder is entitled upon conversion of the Convertible Notes so that:

(a) the value of each Convertible Note is not adversely affected by the reconstruction;

(b) the Noteholder is not conferred with any additional benefits which are not also conferred on the holders of Shares; and

(c) subject to clause 9.2, in all other respects the terms for the conversion of the Convertible Notes will remain unchanged.

9.2 **Requirements of ASX Listing Rules**

These Terms from time to time must be varied to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation to the extent to which they are applicable.

10. **OFFERS TO HOLDERS OF SHARES**

There are no participating rights or entitlements inherent in the Convertible Notes and the Noteholder will not be entitled to participate in new issues of capital offered to holders of Shares during the Conversion Period. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give the Noteholder the opportunity to convert the Convertible Notes into Shares prior to the date for determining entitlements to participate in any such issue.
11. **REPLACEMENT OF NOTE CERTIFICATES**

11.1 **Worn or defaced Note Certificate**

If any Note Certificate becomes worn out or defaced then upon its production to the Company, it may cancel the same and issue a new Note Certificate in lieu thereof.

11.2 **Lost or destroyed Note Certificate**

If the Note Certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and upon such indemnity and/or advertisement (if any) as the Company may require being given or published, a new Note Certificate in lieu thereof shall be given to the Noteholder. The cost of any advertisement and indemnity must be paid by the Noteholder.

11.3 **Cancellation of Note Certificate**

Any Note Certificate that is returned to the Company in connection with the conversion or transfer of the Convertible Notes must be cancelled by the Company.

12. **PROVISION OF INFORMATION**

The Company shall send to the Noteholder copies of all annual reports, accounts and other information which would normally be sent to members of the Company.
GLOSSARY

ASIC means Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

ASX Listing Rules or Listing Rules means the Listing Rules of ASX.

Board means the board of directors of the Company.


Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement to the Memorandum.

Meeting means the meeting convened by the Notice.

Memorandum means this information memorandum.

Notice means the notice of meeting accompanying this Memorandum.

Option means an option to acquire a Share issued on the terms set out in section 2.6.3 of this Explanatory Statement.

Shares means fully paid ordinary shares in the capital of Crown.

Star means Star Mining Limited, an entity incorporated pursuant to the laws of the British Virgin Islands.

WST means Western Standard Time.
SAMPLE PROXY FORM

APPOINTMENT OF PROXY
CROWN DIAMONDS LIMITED
ABN 16 050 541 332

ANNUAL GENERAL MEETING

I/We

Name of proxy

being a Member of Crown Diamonds NL entitled to attend and vote at the Meeting hereby

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman’s nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at the Rydges Hotel, Cnr Hay and Kings Streets, Perth, Western Australia, on 28 November 2003 at 11.00 am (WST) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

<table>
<thead>
<tr>
<th>Resolution 1</th>
<th>Re-election of a Director (Rotation)</th>
<th>FOR</th>
<th>AGAINST</th>
<th>ABSTAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution 2</td>
<td>Re-election of a Director (Rotation)</td>
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<td></td>
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<tr>
<td>Resolution 3</td>
<td>Adoption of New Constitution</td>
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<td></td>
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<tr>
<td>Resolution 4</td>
<td>Re-appointment of Auditor</td>
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<tr>
<td>Resolution 5</td>
<td>Selective Reduction of Capital</td>
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<tr>
<td>Resolution 6</td>
<td>Issue of Convertible Notes to Mr John Baillie</td>
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<tr>
<td>Resolution 7</td>
<td>Issue of Shares to Mr S J Hwang</td>
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<tr>
<td>Resolution 8</td>
<td>Ratification of Issue of Convertible Notes</td>
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<tr>
<td>Resolution 9</td>
<td>Issue of Convertible Notes to Star Mining Limited</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

OR

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 the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MAKE THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ______ %

Signed this ______ day of ______ 2003

By:

Individuals and joint holders

<table>
<thead>
<tr>
<th>Signature</th>
<th>Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature</td>
<td>Director/Company Secretary</td>
</tr>
<tr>
<td>Signature</td>
<td>Sole Director and Sole Company Secretary</td>
</tr>
</tbody>
</table>
CROWN DIAMONDS NI

ABN 16 050 541 332

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.

3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
   • 2 directors of the company;
   • a director and a company secretary of the company; or
   • for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.

5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.