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WAYMOUTH RESOURCES LTD

ACN 104 028 042

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

DATE AND TIME OF MEETING

12 JANUARY 2004 AT 11.00AM

PLACE OF MEETING

LEVEL 2, 12 PIRIE STREET

ADELIAIDE SOUTH AUSTRALIA

THIS DOCUMENT IS IMPORTANT

If you do not understand the information contained in this document, or are in any doubt about the action which you should take, and in particular how you should cast your vote, then please contact your financial or other professional adviser.

1 Introductory Information

Accompanying this Explanatory Memorandum are the following documents:

(a) Chairman's letter;

(b) Notice of Extraordinary General Meeting of Waymouth Resources Ltd (ABN 14 104 028 042) ("Company") dated 5 December 2003; and

(c) Independent expert's report dated 4 December 2003.

Together, these documents form part of this Explanatory Memorandum and should be read in their entirety by persons entitled to vote at the Extraordinary General Meeting of the Company to be held 12 January 2004 ("Meeting").

This Explanatory Memorandum is an important document and requires your careful attention. If you are in any doubt as to any action you should take, you should consult your financial or other professional adviser.

2 Purpose of Explanatory Memorandum

This Explanatory Memorandum explains each of the ordinary and special resolutions and sets out details of the proposed acquisition by the Company of all of the issued capital of Living Cell Technologies Pty Ltd ACN 102 393 108 ("LCT") not already owned by the Company. On 15 October 2003, the Company announced to Stock Exchange of Newcastle Ltd ("NSX") that it had entered into a heads of agreement with LCT and its security holders ("Vendors") which provide for the parties to enter into various transactions including the acquisition by the Company of all the issued securities in LCT not already owned by the Company.

This Explanatory Memorandum provides the Company's shareholders with information regarding the proposed:

(a) acquisition by the Company of all of the issued capital of LCT not already owned by it (resolution 1 in the accompanying Notice of Meeting);

(b) issue and allotment of 35,143,402 Shares, 12,336,150 Options to subscribe for Shares with and exercise price of $0.21 per share, exercisable on or before 30 June 2010 and 5,429,027 Convertible Notes in consideration for the shares in LCT (resolutions 2 and 3 in the accompanying Notice of Meeting);

(c) change of name of the Company from "Waymouth Resources Ltd" to "Living Cell Technologies Ltd" (resolution 4 in the accompanying Notice of Meeting);

(d) election of Professor Robert Elliott as a director of the Company (resolution 5 in the accompanying Notice of Meeting);

(e) election of David Collinson as a director of the Company (resolution 6 in the accompanying Notice of Meeting);

(f) election of Roger Coats as a director of the Company (resolution 7 in the accompanying Notice of Meeting).

The proposed transaction is conditional on shareholder approval at the Meeting, and each resolution put to Shareholders at the meeting to effect the transaction is conditional on the successful passage of each of the other resolutions.

3 Overview

Subject to shareholder approval at the Meeting, the Company proposes to undergo a substantial change to the nature of its activities, from that of a mining exploration company to that of a holding company of a developer and marketer of treatments for haemophilia, diabetes and other diseases.

The Company proposes to effect this change by:

(a) disposing of its interest in a mining exploration tenement in South Australia and generally ceasing all mining based activities. This is discussed in more detail in Section 9 of this Explanatory Memorandum; and

(b) acquiring LCT as a wholly owned subsidiary, a company which has established operations in development and marketing of treatments for diabetes and haemophilia and other autoimmune, neurodegenerative and metabolic diseases and continuing and expanding those operations.

The information set out in section 4 concerning the business of LCT has been provided to the Company by the directors of LCT. The Company has not engaged its own independent consultants to review this information. Whilst some warranties have been provided by the Vendors under the Sale and Purchase Agreement, such warranties are limited in their nature. If any of the information provided to the Company by the directors of LCT is inaccurate or incomplete the Company may have limited or no means of recourse against the Vendors and/or the directors of LCT.

4 The Business of LCT

4.1 Business Profile

The business of LCT is the development and marketing of treatments for diabetes and haemophilia and other autoimmune, neurodegenerative and metabolic diseases. LCT's proprietary cell extraction and preparation processes, coupled with its understanding of cell delivery systems demonstrated in the success of its pilot human trials, created a novel technology platform that is intended to be used to further develop and then commercialise patented cell-based treatments.

LCT, until 23 June 2003 called Diatranz Australia Pty Ltd, has acquired the assets and undertaking of the New Zealand company, Diatranz Limited (**"Diatranz NZ"**), in exchange for the issue of a parcel of ordinary shares in LCT.

Diatranz NZ has been researching cell extraction and preparation procedures for advanced cell replacement therapies for 15 years. It is capable of producing islets cells under GMP (Good Manufacturing Practices) on a routine basis and is one of very few companies that have initiated pilot human clinical trials. It underpins its research with unique proprietary intellectual property and strong collaborations.

4.2 The Products

Products being developed by LCT are not synthetically produced or manufactured by genetic manipulation. Living cell techniques have been used for many years with bone marrow transplants and blood transfusions. Under strictly controlled conditions cells are administered to patients into an immune barrier which replicates the body's own immune-privileged sites. Living cell therapies have the advantage of replicating the normal functioning of the human body to produce constant treatment that increases safety for the patient and dramatically improves the lifestyle of sufferers and their families. Toxic immuno-suppressants are not used in the administration of LCT products.

LCT's first human liver cell product, the Fac8Cell, is a treatment for Haemophilia that is expected to work constantly in a patient's body and should not expose the patient to continual viral risks as seen in the current plasma treatment available.

DiaBCell, is a revolutionary treatment for diabetes. Pilot clinical trials have already been conducted in New Zealand and Mexico over the last 5 years with 18 consenting diabetic patients. Many of the patients reduced insulin usage by 30% to 100% which radically changed their lifestyles and is expected to result in reduced long term complications. DiaBCell is regarded as having very significant economic potential given that diabetes is one of the most prevalent and expensive diseases in the world.

LCT's proprietary technology platform allows the selection of the most appropriate specialist cell source for the treatment of each specific disease. The low prevalence of haemophilia and the ability of liver cells to reproduce naturally ensures that human donor cells can be used for the Fac8Cell product. LCT has a contracted supply of human liver cells which are already screened for diseases before being delivered to LCT's GMP facilities. In the case of diabetes, the prevalence of the disease and the autoimmune reaction from human cell implants has led LCT to trial porcine cells for the DiaBCell treatment. LCT has a specific pathogen free pig herd and is preparing facilities that are expected to exceed the requirements set out in the FDA guidelines released in March 2003.

4.3 Market Opportunity

Conventional medical treatments for cell loss resulting from autoimmune, degenerative, inherited or traumatic conditions, do not address the cell loss (stop the deterioration) that causes these diseases. The incidence of some of these diseases continues to grow at epidemic proportions.

Haemophilia

(a) Haemophilia has become one of the most expensive diseases to treat.

(b) Over 1,600 Australians suffer from haemophilia.

(c) Current treatment can cost up to $110,000 annually for each patient.

(d) Almost 250 haemophiliacs in Australia contracted HIV in the 1980's from plasma treatments, 100 of whom have since died.

(e) The global market for Fac8Cell is expected to exceed 20,000.

Diabetes

(a) Over 176 million people are suffering from diabetes worldwide with the number of diabetics doubling every 25 years.

(b) In the USA alone, the annual cost of diabetes to the healthcare system is over US$132 billion.

(c) Type 1 diabetics inject insulin many times each day, but despite this most will develop complications of kidney failure, impaired vision, heart disease, stroke and limb loss; resulting in a reduced lifespan.

4.4 Commercialisation Strategy

LCT's commercialisation strategy is to progress the development of its products through clinical trials and then to offer its products to patients through cell therapy centres. An initial Living Cell Treatment Centre is proposed to be established in Adelaide to cater for the application of Fac8Cell to haemophiliacs around Australia in 2005/06. In 2008/09, a similar treatment centre is expected to offer the DiaBCell treatment for Type 1 diabetes. The cost of diabetes in Australia is almost $1 billion per year. By initially treating a targeted 1,000 patients per year, the Living Cell Treatment Centre will assist only 1% of the Type 1 diabetics each year and will be used to test the business model. A clinical trial budgeted to commence in 2007 is designed to prove that the therapy will also benefit Type 2 diabetics. It is then intended to replicate the

Living Cell Treatment Centre business model in other centres within Australia and international markets through licensing agreements.

4.5 Location and Facilities

LCT is an Australian proprietary limited company with its registered office at 160 Greenhill Road, Parkside, South Australia. LCT has laboratory facilities located in the South of Auckland within a complex designed for biotech and pharmaceutical companies. At this location Diatranz New Zealand Limited (a wholly owned subsidiary of LCT) has administrative offices, GMP clean rooms and laboratories. A rodent testing facility and specific pathogen free breeding facilities are located near the laboratory facilities. LCT is capable of producing islets cells under Good Manufacturing Practices (GMP) on a routine basis and it has initiated clinical trials. The GMP facility and standard operating procedures (SOP) for cell preparation closely follow, and in some cases exceed, FDA guidelines.

LCT's New Zealand facilities include specialist (licensed) medical, breeding and laboratory facilities which would be prohibitively expensive and difficult to move. These facilities will remain and be maintained in New Zealand and will provide islets for clinical testing and subsequent operations as well as continuing research and development. The New Zealand subsidiary of LCT has two main functions:

(a) to extract and supply live cells for use with multiple cell delivery technologies; and

(b) to extend LCT platform technology through commercial development.

4.6 Management

The LCT team of 19 staff comprises fully trained researchers, technicians and management. The following table outlines the key management and their expertise as it relates to LCT.

Company Executives and Senior Technical Staff

Name	Age	Position	Expertise
Professor Bob Elliott MBBS, MD, FRACP, CNZM	69	Medical Director and Co-Founder	Conceptual process design and implementation for proprietary high quality materials and advanced transplantation techniques.
David Collinson	54	Managing Director and Co-Founder	Strategy concept, research, funding, feasibility and implementation.
Roger Coats	41	Executive Director	Business policy and direction, funding, commercialisation and business operations.
Dr Olga Garkavenko PhD	41	Divisional Manager Advanced Cell Materials	Strategic design of cell biology research using advanced molecular biology tests for cell growth and differentiation.
Dr Livia Escobar MD	49	Divisional Manager Cell Production	Advanced techniques for cell production and encapsulation.
Dr Stephen Skinner PhD	58	Divisional manager Non diabetes Products	Conceptual design for replacement therapy (xenotransplant) for neurodegenerative diseases.

LCT's success to date has been driven from the experience and expertise of its key scientific management staff. The major scientific contributor has been Professor Elliott, Professor Emeritus of Paediatrics at the University of Auckland Medical School and current Medical

Director of LCT. It has been his vision and pioneering work to develop highly effective treatment for diabetics that has led LCT to develop its current technology platform.

(a) The major management contributor has been David Collinson, Managing Director of LCT. Mr Collinson is a long-time successful businessman who, as the result of meeting Professor Elliott through David's diabetic son in 1987, pioneered the formation of Diatranz NZ some years ago in conjunction with Professor Elliott.

4.7 Board Members

Professor Robert Elliott, Medical Director

Professor Elliott trained as Paediatrician at Adelaide University and recently retired as Professor of Child Health at the Auckland University with an enormous knowledge in Paediatric and diabetes related disorders. Professor Elliot is on the Board of the New Zealand Child Health Foundation and the Wings Trust (a trust for the treatment of alcohol and substance abuse), patron of the Cystic Fibrosis Foundation and has three times been awarded Rotary's Paul Harris Fellowship. Professor Elliot was awarded the Companion of the New Zealand Order of Merit in 1999 for his services to the community. Bob is one of the world leaders in diabetes and autoimmune related research, and through LCT is leading the discovery in the potential for living cell therapies to assist millions of people worldwide.

David Collinson, Managing Director

Mr Collinson has extensive experience in textile and healthcare business and with Bob Elliott founded LCT's research when his son became diabetic at the age of two. David contributed a substantial amount of capital to the establishment of LCT and has helped create a world leading science team getting LCT to its present position and establishing strong commercial and personal relationships with their international alliances in the U.S., Europe and Asia.

Roger Coats, Executive Director,

Mr Coats has extensive experience in marketing, corporate finance and financial markets. Having held senior positions with some of the world's largest banks, Mr Coats worked in London and Sydney specialising in Capital Markets and Debt Origination. Mr. Coats has been instrumental in the preparation and structuring of LCT's capital raising and holds the executive position as Chief Operation Officer of LCT.

4.8 Scientific Committee

LCT's Scientific Committee (the "Committee") is a key part of LCT's governance structure. The role of the Scientific Committee is to provide strategic oversight through the review of LCT's scientific and clinical results and subsequent science planning. The Scientific Committee is made up of five invited academics prominent in fields relevant to LCT's product lines and research. Two of the Committee members hold executive positions and/or equity interests in LCT. The remaining Committee members maintain independence from LCT.

Professor John Court

Professor Court is a member of the Royal Australasian College of Physicians, the Australian Association for Adolescent Health, the International Society for Paediatric and Adolescent Diabetes and the International Diabetes Federation. Currently Professor Court is a consultant physician in paediatric and adolescent medicine in private practice, a physician and visiting physician in the Department of Endocrinology and Diabetes at the Centre for Adolescent Health with the Royal Children's Hospital, Melbourne; Member of the Medical Practitioners Board of Victoria; Senior Medical Officer at Geelong Grammar School; Emeritus Editor in Chief of the Journal of Paediatrics and Child Health; and Member of the Professional Services Review panel for Australia.

Professor Robert Seamark

Professor Seamark is Director at the Department of Medical Biochemistry at Flinders University in Adelaide. Educated in Adelaide Professor Seamark gained his PhD at Cambridge. His professional appointments include University of Cologne, South Australian Department of Agriculture, Adelaide University, Queen Elizabeth Hospital and more recently CEO of the Pest Animal control Co-operative Research Centre. Professor Seamark is actively involved in vectored vaccines, immunobiology, transgenesis and advanced breeding technology and is currently a member of the Australasian Research Management Society, the Australian Biotechnology Association and the Society for the Study of Reproduction. He is science adviser to the Bioroton Ltd board and co-founder and director of Pestat Pty Ltd.

Dr Jennifer Couper

Dr Couper has been one of the key paediatric endocrinologists at the Women's and Children's Hospital in Adelaide for over 12 years and is Associate Professor with the Department of Paediatrics at the University of Adelaide. Dr Couper was a Councillor with the Australian Diabetes Society (Head of the Medical Affairs Subcommittee) from 1994 to 1998; Treasurer of the Australasian Paediatric Endocrine Group; is a member of the Paediatric Research Society of Australia; Autism Behavioural Intervention Association of Australia; and Autism Association of South Australia.

Dr John Graham

Dr Graham is a Director of Endocrinology at the Ashford Community Hospital, Director of Ashford International Research Centre, Director of Ashford Hospital Diabetes Education Centre, Adviser to Diabetes Australia and Committee Member of Osteoporosis Australia. Involved in medical research since 1971, Dr Graham is the principal investigator at the Ashford International Research Centre, which since 1993 has been specialising in diabetes and osteoporosis. Educated in London, Sydney and Adelaide, Dr Graham also manages a private Endocrine practice with a referral base of over 400 general practitioners and other specialists.

Professor RB Elliott

Medical Director of LCT (see details above).

As part of the Company's proposed acquisition of LCT, members of LCT's management will join the Company. Professor Elliott, Mr Collinson and Mr Coats will replace the Company's existing board.

4.9 Risk Analysis

Shareholders should be aware that there are a number of risk factors, both specific to LCT and related to the general business environment, which may have an affect on the financial performance of LCT and/or the value of their investment. Investors should therefore carefully consider all associated risks and seek their own professional advice. LCT has an extensive and active risk management plan which covers the identified risks. Some of the risks are summarised below:

(a) As to be expected of a company at this stage of therapy development, LCT has incurred operating losses since its inception, currently has limited capital resources and does not expect to generate revenues for approximately 2 to 4 years or more. To commercialise its first product, LCT will require significant additional financing beyond that currently obtainable. There can be no assurances that such additional financing can be obtained or, if obtainable, that the terms will be reasonable. If LCT is unable to raise additional finance, future development will need to be curtailed or discontinued.

(b) LCT may experience losses due to product liability claims or claims for adverse reaction during clinical trials beyond the level of insurance in place. With respect to certain risks, LCT may not be able to source appropriate insurance at all or at a cost or on terms which are reasonable.

(c) Commercialisation of new products is subject to regulatory processes, which include extensive pre-clinical and clinical trials to establish safety and efficacy. These processes can take many years and require substantial resources. It is difficult to accurately estimate the time of achievement of essential steps to market. Time estimates by biotech companies have typically been significantly short of the actual time required. There can be no assurance that any required regulatory approvals will be obtained for LCT's products at all or obtained within anticipated timeframes. This is also true in relation to scientific milestones.

(d) Additional costs and unforeseen events may well adversely affect LCT's ability to generate revenues and profits.

(e) LCT's success will, to a large degree, depend on the competitiveness of its products and its ability to protect the intellectual property it will be commercialising. Patents in relation to the technology have been lodged in various countries, however there is no assurance that other companies will not independently develop similar, more effective, alternatives, or more affordable technologies will succeed in challenging LCT's patents. The commercialisation of competitor products may render LCT's technology or products obsolete. LCT's technologies use several products for which licences may require negotiation of the terms of commercial use. There can be no assurance that such licences, if required, will be available on commercially reasonable terms.

(f) The sharing and publication of information about LCT's technology as a publicly listed company, through the clinical trials process and other collaborations, increases the risk of unauthorised disclosure and misappropriation of LCT's intellectual property. The cost associated with defending LCT's patents could be substantial and have a materially adverse effect on LCT's business.

(g) The life science industry is intensely competitive with a high risk of failure. Many companies have significantly greater resources and expertise applied to the same disease targets as LCT. There can be no assurance that superior technologies will not result in more effective products achieving earlier commercialisation.

(h) LCT is dependent on the principal members of its scientific and management staff, the loss of whose services might significantly delay or prevent the achievement of scientific or business objectives. LCT has an objective to appoint understudies when funds are available. "Key person" insurance on officers, employees or consultants is not currently maintained by LCT.

(i) Products based on the technology are in the early stage of development and clinical trials. The first two products, Fac8Cell and DiaBCell, are the only products significantly progressed through development. Significant research expenditure is required to establish any additional products. There can be no assurance that any products will be capable of being commercialised.

(j) LCT is dependent on continuous operation of its computer systems and specialised laboratory equipment, as well as the maintenance of its laboratory books. In the event that insurance and backup systems were insufficient to cover the loss to LCT arising from a catastrophic event, there would be a material adverse effect on LCT's business and its financial performance.

(k) The production process for DiaBCell utilises porcine cells. LCT's ability to produce DiaBCell in commercial quantities is dependent upon the expansion of its specific pathogen free herd in compliance with the FDA and TGA guidelines. The pigs must be sourced from validated disease free locations, and there is no guarantee that LCT will be able to obtain enough pigs from these sources within the timeframe required to meet projected demand. Production capacity must be scaled to strict specifications prior to a final pivotal clinical trial. LCT must obtain a manufacturing licence from regulatory authorities for any new or expanded production facility, and there can be no assurance that such approval will be obtained.

(l) The outbreak of a disease within LCT's SPF herd or its infection with viruses and/or diseases from which the herd is at present free would also significantly impact LCT's ability to maintain and expand the herd.

(m) There can be no guarantee that there will be ready buyers at a time when an investor may wish to sell shares. Shares may be subject to volatility depending on various factors such as announcements regarding discoveries and clinical activities, economic and external factors, as well as changes in LCT's intellectual property portfolio. One or more of these factors could harm LCT's business and cause a decline in the price of its shares and impact LCT's access to capital.

(n) There is always a risk, for whatever reason, that investors may become averse to investments in biotechnology. There can be no guarantee that LCT's future capital raising projects will meet with market support.

5 The Proposed Transaction

5.1 Acquisition of the Issued Capital of LCT

The Company currently owns 3,332,353 LCT Shares which it acquired in October 2003.

The Company is about to enter into a Sale and Purchase Agreement ("Agreement") with the shareholders, optionholders and convertible note holders of LCT under which it agrees to purchase all of the issued securities of LCT not already held by the company.

Under the Agreement, the consideration payable by the Company is as follows:

(a) for the LCT Shares not already held by the Company, the issue by the Company of 17 Waymouth Shares for every 10 LCT Shares held by each of the LCT Shareholders;

(b) for the LCT Options, the issue by the Company of 17 Waymouth Options for every 10 LCT Options held by each of the LCT Shareholders; and

(c) for the LCT Convertible Notes, the issue by the Company of replacement Waymouth Convertible Notes, in the same number held by each of the LCT Convertible Noteholders.

In each case, fractional entitlements will be disregarded.

The Agreement is subject to a number of conditions precedent, all of which must be satisfied for the transaction to proceed. The conditions precedent are:

(a) the Shareholders approving the resolutions set out in the Notice of Meeting accompanying this Explanatory Memorandum as required by the Corporations Act and the NSX Listing Rules;

(b) the Company completing to its reasonable satisfaction a due diligence investigation into LCT, its assets, liabilities and business affairs.

Some of the Waymouth Shares, Waymouth Options and Waymouth Convertible Notes will be placed in escrow for a period of 12 months, restricting the holders of those securities from trading during that period. Only Waymouth securities issued in exchange for LCT securities will be subject to escrow, with the exception of LCT shareholders who invested under the Information Memorandum dated 18 August 2003. Details of the escrow arrangements have not been finalised and will be subject to negotiation with the NSX.

5.2 Issue of Waymouth Options

The following is a brief summary of some of the terms and conditions attaching to the options. The summary is not intended to be an exhaustive description of the rights attached to the options.

Option	Each Class A option and Class B option gives its holder the right to subscribe for one (1) ordinary share in the Company at an exercise price of $0.21 per share. All shares issued upon exercise of an option will rank from date of allotment equally with existing ordinary shares of the Company.
Exercise Price	Class A options are fully exercisable at any time after issue until and including 30 June 2010. Class B options are partially exercisable on an increasing scale of 25% increments corresponding to specified level of funds raised by the Company from all sources.
Rights	Both Class A options and Class B options confer: • no participating rights or entitlements. In particular, option holders are not entitled to participate in new issues or bonus issues of capital offered to members of the Company without first exercising their options; and • no right to a change in the exercise price or a change in the number of shares over which the options can be exercised. Option holders are entitled to receive all notices of general meetings and all reports and accounts of the Company required to be laid down before members in general meeting. However, option holders are not entitled to attend or vote at general meetings of the Company unless they are entitled to do so in the capacity as a member of the Company.
Reorganisation	Upon any re-organisation of the Company, the number of options will be reorganised in the same manner as the ordinary shares of the Company.
Transfer	An option holder may transfer all or any of its options at any time prior to 30 June 2010 provided that any such transfer must be effected in a form approved by the Company and that the transfer does not contravene any escrow arrangements that have been applied to those options.

6.3 Issue of Convertible Notes

Convertible Notes will be issued to the LCT Convertible Noteholder on the following terms:

Type	B Class notes may be converted to ordinary shares at any point in time prior to the redemption of same at $0.21 per ordinary share or amount is redeemable in cash at the end of the term.
Rate	5% p.a. Interest is payable annually or will accumulate. Accumulated interest may be paid, at the option of the note holder, by the issue of ordinary shares at $0.21.
Term	The earlier of 4½ years or for each incremental amount of A$ 1 million the Company raises from A$3 million to A$9 million the Avery Foundation will redeem A$113,354.83.
Amount	A$680,129.

Cumulative Unsecured Redeemable Convertible Notes

Type	C Class Cumulative Unsecured Convertible Notes convertible at any time to ordinary shares at A$0.21 per share or the amount is redeemable in cash at the end of the term.

Rate	5% p.a. interest is payable annually by issue of ordinary shares at arms' length market value.
Term	4½ years.
Amount	A$216,136.

5.4 Election of Directors

Resolutions 4, 5 and 6 deal with the election of Professor Elliott, Mr Collinson and Mr Coats as Directors of LCT. As part of the proposed acquisition of LCT, shareholders are asked to elect the 3 new Directors. Details about the director nominees are set out in Section 4.7.

If the resolutions are approved, the Company's existing directors, Simon O'Loughlin, Donald Stephens and Peter Cox will resign, effective from the close of the Meeting.

All 3 director nominees are currently executive directors of LCT and are responsible for the overall management of LCT. Following the successful acquisition of LCT (and on being elected as directors of LCT), they will continue to be responsible for the management and day to day operations of the Company.

5.5 Change of Company Name

Resolution 7 deals with the change of the Company's name from "Waymouth Resources Ltd" to "Living Cell Technologies Ltd". This change is intended to reflect the change in direction of the Company's mining and exploration operations to the biotechnology / healthcare operations referred to in this Explanatory Memorandum already conducted by LCT.

6 Legislative and Regulatory Requirements

6.1 Corporations Act

Section 606 of the *Corporations Act* contains a general prohibition on the acquisition of securities in a company if, as a result of the acquisition, any person's voting power in the company increases beyond 20%.

The prohibition applies to acquisitions by the issue of shares by the company concerned, as well as to the acquisition of shares from an existing shareholder.

The prohibition in Section 606 is relevant to the proposed issue and allotment of Waymouth Shares to Diatranz Limited under resolution 3 of the Notice of General Meeting, pursuant to which the Company will issue and allot to Diatranz Limited a total of 17,000,000 Waymouth Shares. As a result of the proposed transaction, Diatranz Limited will hold approximately 35% of the total issued share capital of the Company.

Section 611, item 7 of the *Corporations Act* contains an exception to the general prohibition against share acquisitions contained in Section 606. To fall within the exception, an acquisition of the quantity of shares in a company must be approved in advance by a resolution passed at a general meeting of the company in which the shares will be acquired. At the meeting, no votes may be cast on resolution 3 by Diatranz Limited or by any associate of Diatranz Limited.

6.2 NSX Listing Rule 6.41

The transactions contemplated by the resolutions in the Notice of Meeting relating to the acquisition of the capital of LCT:

(a) would result in a change in the ultimate control of the Company; and

(b) would result in a change to the range and scale of activities of the Company for the purposes of NSX Listing Rule 6.41 from that of a mining exploration company to a biotechnology company.

These changes will require the approval of the members of the Company in general meeting in order to comply with NSX Listing Rule 6.41. Details of the transactions which may or will result in a change of the Company's ultimate control and activities have been set out at length in this Explanatory Memorandum.

6.3 NSX Listing Rule 6.25

Resolution 2 in the Notice of Meeting seeks shareholders' approval in order to ensure compliance with NSX Listing Rule 6.25.

NSX Listing Rule 6.25 relevantly provides that, except with the prior approval of members of the Company in general meeting (and certain other exceptions not relevant here), the Company may not issue any equity securities if the number of those securities, when aggregated with the total number of securities of the same class issued during the previous twelve months, exceeds 10% of the number of the securities of the same class on issue at the commencement of that twelve month period.

In the twelve month period prior to the proposed issue of the 35,143,402 Waymouth Securities to securityholders of LCT (as consideration for the acquisition of the capital of LCT as set out in Section 5.1), the Company has issued 12,787,500 shares and 1,000,000 options to acquire any shares in the capital of the Company.

The proposed issue of the Waymouth Securities to securityholders of LCT will exceed the 10% limit prescribed by NSX Listing Rule 6.25. The approval of the Company's shareholders is therefore required.

7 Corporate Information about Waymouth Resources Limited

As at the date of this Explanatory Memorandum, the Company had issued 12,787,500 ordinary fully paid $0.20 shares and, taking into account discounts on the issue of some shares, the Company's paid up capital was $2,557,500.

The Company currently has 1,000,000 options on issue. In addition, resolution 2 in the Notice of General Meeting seeks shareholder approval for the issue of a further 12,336,150 options. If approved by shareholders, a total of 13,336,150 options would be on issue, each of which entitles its holder to subscribe for and be allotted one fully paid ordinary share in the capital of the Company, exercisable on the conditions discussed in this Explanatory Memorandum.

8 Corporate Information about LCT

LCT was incorporated in 2002. At the date of this Explanatory Memorandum, the issued capital of LCT is $8,161,680, divided into 24,004,942 ordinary fully paid shares. In addition LCT has 7,256,559 options on issue of which it entitles its holder each to acquire one ordinary share in the capital of LCT. At completion of the proposed transaction, the issued capital of LCT will be $9,586,180.

The Company and LCT are not associated, and no Directors of the Company are directors of LCT, nor are they related to LCT in any way. The proposed transaction is an arm's length commercial transaction.

9 The Company's Mining Operations

The Company intends to relinquish its exploration licence application and discontinue its activities in the resources sector.

10 Additional Information

10.1 ASIC Policy Statement 74

In compliance with ASIC Policy Statement 74 (relating to the approvals required under Section 611 item 7 of the *Corporations Act)*, shareholders should note the information set out below in relation to the proposed transaction, in addition to the information appearing in preceding sections of this Explanatory Memorandum.

10.2 Relevant Interests in, and Entitlements to, Shares in the Company

The table appearing below sets out:

(a) a description of each of the persons who will have a prescribed percentage of shares in the Company following the proposed acquisition; and

(b) full particulars (including the number and percentage) of the minimum and maximum number of shares in the Company which the person acquiring the prescribed percentage will be entitled to immediately before and after the proposed acquisition (adopting the same calculations as appear in 5.1).

Shareholder's Name/Address	Number /Percentage of Shares in Company to which the relevant person was entitled immediately before the proposed acquisition	Percentage of Shares in Company to which the relevant person will be entitled immediately after the proposed acquisition
Diatranz Limited 19 Laurceston Avenue, Otahuhu, Auckland NZ	10,000,000 / 42%	17,000,000 / 35%

(c) For the purposes of Chapter 6 of the *Corporations Act*, a 'prescribed percentage' of shares is 20% of a company's issued capital.

10.3 Interests of Directors in the Resolutions

None of the Company's Directors has an interest in the resolutions to be put to shareholders at the General Meeting of the Company concerning the proposed acquisition of LCT other than as ordinary shareholders of the Company.

10.4 Intentions Regarding the Future of the Company

Diatranz Limited has no intentions regarding the future of the Company which are inconsistent with the proposal to utilise it to further promote and expand the business of LCT as described throughout this Explanatory Memorandum.

The members of Diatranz Limited resolved to place Diatranz Limited into voluntary liquidation on 1 December 2003. This was done in order to distribute the Waymouth Shares that Diatranz Limited will receive pursuant to the transaction to the shareholders of Diatranz Limited.

11 Independent Expert's Report

The Company's directors have engaged Grant Thornton Corporate Services (WA) Pty Ltd, as an independent expert, for the purpose of providing shareholders with a valuation of LCT and an analysis of the proposed transaction.

The Expert's Report accompanies this Explanatory Memorandum.

The independent expert has been instructed to determine whether or not the proposed transaction is fair and reasonable having regard to the interests of shareholders whose votes are not to be disregarded. What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the advantages likely to accrue to the non-associated shareholders if the proposal is approved and comparing them with the disadvantages to those shareholders if not approved.

On the basis of the matters discussed in the Expert's Report, the Independent Expert has formed the opinion that the proposed transaction is fair and reasonable having regard to the interests of shareholders whose votes are not to be disregarded.

Shareholders should carefully read the full text of the Expert's Report.

12 Recommendation of Directors

All of the directors of the Company are independent of LCT, and recommend that shareholders agree to the proposed transactions detailed in the Notice of Meeting and described more fully in this Explanatory Memorandum.

For the reasons set out in this Explanatory Memorandum and accompanying Expert's Report, all of the directors have formed the view that it is in the interests of the existing shareholders of the Company to approve the proposed transactions by the Company.

All of the directors of the Company recommend that shareholders approve all of the resolutions in the attached Notice of Meeting to be considered by the shareholders of the Company.

13 Glossary

"Company" means Waymouth Resources Limited ABN 14 104 028 042.

"Explanatory Memorandum" means this explanatory memorandum setting out the details of the resolutions proposed in the Notice of Meeting.

"LCT" means Living Cell Technologies Pty Ltd. ACN 102 393 108

"LCT Convertible Note" means a convertible note issued by LCT.

"LCT Option" means an option to subscribe for an ordinary share in the capital of the LCT.

"LCT Share" means a fully paid ordinary share in the capital of LCT.

"NSX" means Stock Exchange of Newcastle Limited.

"Waymouth Convertible Notes" means a convertible note issued by Waymouth.

"Waymouth Option" means an option to subscribe for an ordinary share in the capital of the Company.

"Waymouth Share" means a fully paid ordinary share in the capital of the Company.