A.C.N. 060 938 552

QUARTERLY REPORT 30 SEPTEMBER 2008

DWYKA RESOURCES LIMITED (ASX:DWY.AX; AIM:DWY.L)

Highlights during the Quarter

Muremera Nickel Project in Burundi

- Commencement of Phase Two programme (sole funded by BHP Billiton)
- Drilling complete on the first 6 holes of the Phase Two programme
- Two massive sulphide intersections of 4.27 metres and 6.99 metres made in one borehole returning an average composite nickel equivalent grade of approximately 1 per cent Ni.
- Downhole EM surveys of recently drilled holes to commence within the next month

Philippines Coal Project

- Exercise of Daguma Coal Project Option
- Sedgman Limited appointed to conduct a prefeasibility study on the Project
- Commencement of 5,000m core drilling program. The first drill holes both intersected three coal seams S1, S2 and S3. In both cases Seam S3 is thickest, having vertical thicknesses of 10.35m and 14.0m in the first two holes respectively. In both cases, the S3 coal occurs as one discrete robust seam with no waste content.
- Construction of the Daguma camp and core shed completed
- Geological mapping identifies up to 18m thick coal seam
- Post end Quarter withdrawal from Project

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SwaziGold Project in Swaziland

- Extension of Stage 1 of the SwaziGold Shareholders and Earn-In Agreement negotiated

Kimcor Diamonds Plc

- Update on recent diamond sales received

MUREMERA PROJECT

Following completion of the Phase One programme of exploration at the Muremera Nickel Project ("**Project**"), which identified 24 priority targets warranting further drilling and downhole EM geophysical surveys, Dwyka's partner, BHP Billiton, commenced Phase Two drilling in at the Project during the Quarter. To date a total of 6 holes have been drilled as part of Phase Two, resulting in one target, producing two intersections of massive sulphide of 4.27m and 6.99m at depths between 132.61m to 136.88m and 144.8m to 151.79m, respectively, returning an average weighted composite grade of approximately 1 per cent Nickel equivalent.

Detailed results of those intersections are set out in the table below.

Drill Hole (No)	Depth From (m)	Depth To (m)	Intersection (m)	Ni (% wt avg)	Cu (% wt avg)	Co (% wt avg)
RUJA D001	132.61	136.88	4.27	0.68	0.3	0.11
RUJA D001	144.8	151.79	6.99	0.73	0.33	0.11
RUJA D001	132.61	153.8	21.19	0.49	0.21	0.08

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As announced by the Company on 27 October 2008, the 6 targets drilled to date, together with the remaining targets, will also be tested using downhole EM geophysics. The EM survey will enable the exploration team to generate 3D models and more accurately pinpoint potential new conductors that can subsequently be drilled with a much higher degree of confidence. The BHP Billiton geophysical survey crew is provisionally scheduled to commence the survey within the next month.

The geological environment at Muremera is similar to that at the nearby Kabanga deposit, which is currently estimated to contain a resource of 48.1 Mt @ 2.72% Ni, 0.38% Cu, 0.51 g/t PGM (3.05% Ni eq.).

BHP Billiton has the option to spend a minimum of US$5.2 million on the Project, to earn up to a 50% interest in Danyland Limited, the Dwyka subsidiary which holds the exploration rights for the nickel and associated minerals within the Project area. As reported in Dwyka's Quarterly Report announced on 29 July 2008, BHP Billiton spent a total of approximately US$4.2 million n relation to the Project during Phase One.

PHILIPPINES COAL PROJECT

Exercise of Daguma Coal Project Option

Following the passing by Dwyka shareholders of all resolutions at the Extraordinary General Meeting of shareholders held on 30 June 2008, on 17 July 2008 Dwyka exercised its option ("**ACRL Option**") to acquire all of the issued shares in Asian Coal Resources Limited ("**ACRL**"). In turn, ACRL and its local Philippine partner, MANA Resources Development Corporation ("**MRDC**"), exercised the options permitting those companies to acquire an initial collective interest of 30% by 18th January 2009 in each of Daguma Agro-Minerals, Inc. ("**DAMI**") and Bonanza Energy Resources, Inc., ("**BERI**") with the possibility of thereafter increasing that to a maximum of 100%. DAMI and BERI are the holders of the Daguma and Bonanza coal deposits which constitute the Daguma Coal Project ("**Project**").

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ACRL is a 40% shareholder in MRDC and has options to increase this to a 100% interest in MRDC. ACRL and the MRDC shareholders have entered into a shareholders' agreement between them to ensure that the two entities act with a common purpose in relation to the Project.

As a result of the exercise of the ACRL Option, Dwyka paid US$1.25M to Tomori Enterprises Limited ("**Tomori**") and issued a total of 17,494,071 new ordinary shares to Tomori at a deemed price of £0.26 per share, by way of option payments and as consideration for the ongoing provision by Tomori of certain Project-related services pursuant to the services agreement announced by the Company on 20 May 2008. A further US$1.25M was paid to the Project vendors during the Quarter in connection with the acquisition by Dwyka of an initial indirect Project interest of 8%.

Drilling

During the Quarter, diamond drilling commenced on schedule, with the intention of enabling Dwyka to verify historic results and further define and delineate a JORC-compliant resource. The programme was to comprise an initial 5,000 metres of drilling (consisting of 25 large diameter drill holes with an estimated depth of 200m) and associated coal quality analysis of approximately 500 samples.

Drilling commenced on 12th August and the first hole was completed on 20th August and drilled to a depth of 75.8 metres. The first drill hole (Hole no DDH-1 in Figure 2) intersected 3 coal seams with 10.35m of coal intersected in discrete robust seam. The top of the main seam was intersected at a depth of 36.6m. The hole is situated approximately 550m from the outcrop position of the main seam. The core from the first completed hole was logged and sampled according to JORC guidelines. Subsequent analysis showed the coal to be of medium calorific value, in line with Dwyka's expectations.
Geological mapping and interpretative desk studies have indicated that the main coal seam may reach a thickness of up to 18m in the central parts of the Daguma deposit.

The construction of a 15-man camp and core shed at Daguma was also completed on schedule and within budget.

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Prefeasibility Study

During the Quarter, Sedgman Limited ("**Sedgman**") was appointed to conduct a prefeasibility study in relation to the Project ("**Prefeasibility Study**"), intended to cover the coal handling & processing plant (CHPP), coal transport, stockpiling & blending, port & ship-loading facilities, and infrastructure requirements in relation to the Project. Sedgman visited the project site during the Quarter for an inspection of the project areas and for meetings with local construction companies and haulage contractors. Preliminary locations for the mine site, haulage road route and port area were inspected, with the conclusion that the terrain was suitable for the establishment of necessary facilities.

The Feasibility Study considered the most likely options for the progressive ramp up in production to 5 Million tonnes of coal per annum (Mtpa) with minimisation of capital costs in the early stages of the project. Capital and operating cost estimates for production rates of 1.0, 3.0 and 5.0 Mtpa are tabulated below.

Coal Output (Mtpa)	Capital Cost (A$ Millions)	Operating Cost (A$ per t of Coal – Panamax Ship Loaded)
1.0	45.5	37.06
3.0	129.4	38.59
5.0	280.2	32.16

Project Withdrawal

As announced on 29 October, 2008 the directors have decided that in order to halt the cash expenditure associated with the Philippines-based Daguma/Bonanza Coal Project, the Company, via ACRL, has now ceased work. The vendors have been advised that Dwyka does not intend to make further payments for the acquisition of equity in the project. Continuing with the current work programme and acquisition timetable would deplete Dwyka's cash reserves to approximately GBP2.4m by the end of January 2009 with the requirement for a further acquisition payment to be made at that stage. Further, recent movements in the AUD:USD exchange rates have meant that the cost of making such acquisition payments has increased by approximately 25% since funds were raised for the project in May 2008.

Dwyka's current beneficially earned equity position in the Daguma/Bonanza Projects is 8%.

SWAZIGOLD PROJECT

During the Quarter Dwyka announced that it had successfully negotiated a three month extension to the current phase of the Shareholders and Earn-In Agreement ("**Agreement**") relating to the SwaziGold project ("**Project**"), taking the deadline for completion of that phase to 30 September 2008. Subsequently, in response to the catastrophic downturn in the global financial markets and other pertinent factors, the deadline for completion of the current Project phase was further extended to 28 February 2009. As at 30 September 2008, Dwyka had spent US$728,273 under the current phase of the Agreement. It now has approximately 4 months in which to spend a further US$21,727, bringing the total expenditure to the required level of US$750,000 and enabling Dwyka (through its wholly-owned subsidiary Karrinyup Holdings Limited), to increase its interest in Swazi Gold Ventures (Pty) Ltd, the holder of a 90% interest in the Project company, from 50% to 70%.

KIMCOR DIAMONDS PLC

During the Quarter, Kimcor Diamonds Plc ("**KimCor**"), in which Dwyka has a shareholding of 48%, reported on the company's recent diamond sales as follows:

- 10,023.55 carats of diamonds recovered and sold for a total of US$708,181.95 representing an average sales value of US$70.65 per carat;
- SMI4 production totaling 7,868.71 carats sold for US$558,874 representing an average sales value of US$71 per carat;

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- SMI4 production included a number of larger stones recording excellent prices including individual stones weighing 24.45ct, 10.16ct, 9.65ct, 9.57ct, 7.91ct and 6.63ct returning sales values of US$166,260, US$10,363, US$12,303, US$10,981, US$8,068 and US$14,088 respectively;
- Newlands production totaling 1,278.45 carats sold for US$104,857 representing an average sales value of US$82 per carat;
- Newlands production included a number of larger stones including individual stones weighing 4.25ct, 3.14ct and 2.80ct returning sales values of US$4,826, US$2,620 and US$2,270 respectively;
- Blaauwbosch tailings processing produced a total of 876.39 carats sold for US$44,449 at an average sales value of US$50.70 per carat;
- As at 31 July 2008 a further 4,330 carats remain in inventory, which will be held for future tender.

MELISSA STURGESS
Chief Executive Officer

The technical exploration and mining information contained in the above announcement has been reviewed and approved by Ed Nealon, who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is qualified as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Nealon is a Dwyka Resources Limited Director and meets the criteria of a qualified person under the AIM guidance note for mining, oil and gas companies.

Ed Nealon consents to the inclusion in this announcement of such information in the form and context in which it appears.

Enquiries:

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

DWYKA RESOURCES LIMITED

ACN or ARBN	Quarter ended ("current quarter")
98 060 938 552	30 September 2008

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	20,617*	20,617*
1.2	Payments for (a) exploration and evaluation	(1,507)	(1,507)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(559)	(559)
1.3	Dividends received		
1.4	Interest and items of a similar nature received	204	204
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other FOREX	737	737
	Net Operating Cash Flows	19,492	19,492
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	(2,598)	(2,598)
	(b)equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		
	Net investing cash flows	(2,598)	(2,598)
1.13	Total operating and investing cash flows (carried forward)	16,894	16,894

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	16,894	16,894
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – capital raising costs	(378)	(378)
	Net financing cash flows	(378)	(378)
	Net increase (decrease) in cash held	16,516	16,516
1.20	Cash at beginning of quarter/year to date	472	472
1.21	Exchange rate adjustments to item 1.20	27	27
1.22	**Cash at end of quarter**	17,015	17,015

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	102
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

* On 30 June 2008 the Company issued 39,745,500 ordinary shares to UK based institutional investors via a private placement. The funds relating to this issue was not held in the Company's own bank accounts as at 30 June 2008 and was treated as a receivable in the Company's audited financial accounts as at 30 June 2008. These funds were received into the Company's own bank accounts in July 2008 and have been treated as receipts from customers in the above schedule.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	300
4.2	Development	
	Total	**300**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	169	114
5.2	Deposits at call	16,816	328
5.3	Bank overdraft		
5.4	Other – rental bonds	30	30
	Total: cash at end of quarter (item 1.22)	**17,015**	**472**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased	Daguma/Bonanza coal project	8% interest acquired	0	8%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	**Preference** **+securities** *(description)*	-	-		
7.2	Changes during quarter				
7.3	**+Ordinary securities**	188,583,777	188,583,777	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	17,949,071	17,949,071	$0.40	$0.40
7.5	**+Convertible debt securities** (*description)*		-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	 125,000 500,000 450,000	 - - -	*Exercise price* *$0.52* *$0.31* $0.95	*Expiry date* *30/6/2010* 30/6/2010 30/6/2009
7.8	Issued during quarter				
7.9	Exercised during quarter			*Exercise price*	*Expiry date*
7.10	Expired (cancelled) during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 10 October 2008
Company Secretary

Print name: Michael Langoulant

Notes

1 This quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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