

QUARTERLY REPORT 30 JUNE 2003

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

HIGHLIGHTS

- **Results from the recent sampling program in India provide encouraging results**
 - **Melissa Sturgess appointed Chief Executive Officer**
 - **Sale of the majority of the surplus mining machinery in South Africa completed**
 - **All Hire purchase loans associated with the South African operations repaid during the quarter**
 - **All rehabilitation activities completed at Nooitgedacht and De Hoop**
 - **Successful raising of £722,562 from London based institutional clients of Williams de Broe Plc.**
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INDIAN DIAMOND EXPLORATION PROGRAMME

- Sampling in the vicinity of the known Pipes1-4 (Chigucherla Cluster) identifies further abundant chromites and ilmenites; possibly indicating an additional undiscovered kimberlite pipe within this cluster.
- Eastern extension of the Chigucherla kimberlite corridor returns anomalous kimberlitic indicator minerals, suggesting high potential for further discoveries of pipes.
- Sampling in new areas, not part of the known Chigucherla Cluster, returns high priority kimberlitic indicator mineral targets with G-10 garnets.
- New target zones scheduled for immediate follow up.
- New exploration permit of 843 km² granted. Area is proximal to the Panna Diamond Mine, which currently produces 45,000 carats per year at US\$130 per carat.

CORPORATE**Appointment of CEO**

During the quarter the Company announced the appointment of Melissa Sturgess as Chief Executive Officer of the Company. Melissa, an existing Executive Director of the Company, was instrumental in the creation of the relationship between Dwyka and BHP Billiton and is responsible for the restructure of Dwyka's interests in South Africa.

Placement

Subsequent to the end of the quarter, the Company announced that it had placed, with the assistance of its London broker, Williams de Broë Plc, 5,255,000 fully paid ordinary shares in

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Dwyka to several institutional and private investment clients of Williams de Broë Plc at a price of 13.75 pence each (A\$0.34 per share).

The Company raised £722,562 (before the costs associated with the placing) from this placement that was concluded on 14 July 2003. The funds raised will be utilised to pursue opportunities in India and for the restructure of the Company's South African activities.

Proposed Merger with Gravity Capital Limited withdrawn

During the quarter it was announced that the proposed merger between Dwyka and Gravity Capital Ltd ("Gravity Capital") was withdrawn as a result of developments in each Company over the past six months which changed the fundamental basis of the original agreement.

Dwyka retains a 14.63% interest in the share capital of Gravity Capital and proposes to remain supportive of the company's activities. Both companies are examining ways of cooperating in an administrative and operational sense going forward.

SOUTH AFRICAN OPERATIONS

During the quarter the Company completed all rehabilitation at both the De Hoop and Nooitgedacht mines.

Since the operations closed in February 2003, the Company has sold 28 pieces of machinery associated with the mining operations. The funds raised from these sales have been utilised to repay all outstanding Hire purchase loans, totalling A\$4.1 million, associated with the South African operations.

At the end of the quarter, the only machinery yet to be sold includes two Articulated Dump Trucks and two Findlay screens. This machinery is currently under examination by interested parties with this machinery expected to raise a further ZAR5.6 million (A\$1.1 million) during the next quarter.

Apart from this machinery, the Company retains the following major assets in South Africa:

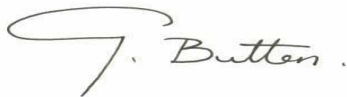
- The mineral rights associated with Nooitgedacht and De Hoop.
- The mineral rights for the Blaauwfontein, Melkvlei and Pypklip exploration projects. No activity was undertaken on these properties during the quarter.
- Supermix, the industrial products division consisting of the cement and brick making plants that services the Kimberley Building Industry.
- The Processing Plants and associated infrastructure located at the Nooitgedacht and De Hoop mines, and a mobile processing plant.

Supermix continues to operate on a cash flow positive basis and will remain in operation with opportunities for growth being explored. It is intended to utilise cash flow from Supermix to fund a small scale, mobile operation at Nooitgedacht. A number of large, good quality diamonds have been recovered by Dwyka at Nooitgedacht (17, 18, 34, 39, 61, 90 and 142

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carats) and the Directors consider that, as a low cost, small scale operation the mine can move back into profitability.

Relocation of Dwyka's offices in Kimberley, to the Supermix site, and work on the Nooitgedacht programme, commenced in July.



GRANT BUTTON
Company Secretary

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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 DIAMONDS LIMITED

ACN or ARBN

098 060 938 552

Quarter ended ("current quarter")

30 June 2003

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,194	8,383
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(143) (1,600) (317)	(662) (6,626) (2,186)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	63	200
1.5 Interest and other costs of finance paid	(161)	(506)
1.6 Income taxes paid		
1.7 Other VAT/GST (paid)/received	(3)	25
Other FOREX variance	(11)	(92)
Net Operating Cash Flows	(978)	(1,464)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(155) (2)	(264) (1,214) (674)
1.9 Proceeds from sale of: (a)prospects (b)equityinvestments (c)other fixed assets	2,216	4,994
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	2,059	2,842
1.13 Total operating and investing cash flows (carried forward)	1,081	1,378

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	1,081	1,378
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		1,997
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(1,741)	(4,701)
1.18	Dividends paid		
1.19	Other – capital raising costs		(62)
	Net financing cash flows	(1,741)	(2,766)
	Net increase (decrease) in cash held	(660)	(1,388)
1.20	Cash at beginning of quarter/year to date	5,227	5,701
1.21	Exchange rate adjustments to item 1.20	(71)	183
1.22	Cash at end of quarter	4,496	4,496

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	118
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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

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+ See chapter 19 for defined terms.

- 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	100
4.2 Development	-
Total	100

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	4,049	3,900
5.2 Deposits at call	447	1,327
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,496	5,227

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	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	55,802,696	55,802,696	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	800,000	800,000	\$0.50	\$0.50
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -		
7.7 Options <i>(description and conversion factor)</i>	3,000,000	-	<i>Exercise price</i> \$1.47	<i>Expiry date</i> 30/6/2006
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	18,011,861	18,011,861	\$0.60	30/06/2003
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ 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: 24 July 2003
Company Secretary

Print name: Grant Button

Notes

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- 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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