



**DWYKA RESOURCES
LIMITED**

A.B.N. 98 060 938 552

ANNUAL REPORT
30 JUNE 2007

DWYKA RESOURCES LIMITED

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COMPANY PARTICULARS

Registered office

98 Colin Street
WEST PERTH WA 6005

Telephone: +61 8 9324 2955

Facsimile: +61 8 9324 2977

Web: www.dwyresources.com

Board of directors

Edward Nealon
Melissa Sturgess
Evan Kirby
Michael Langoulant
Adrian Griffin
Terry McConnachie

Company secretary

Michael Langoulant

Auditor

PricewaterhouseCoopers

Share register

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Telephone: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Stock exchange listings

Dwyka Resources Limited is listed on the Australian Stock Exchange (Shares: DWY,) and on the Alternative Investment Market of the London Stock Exchange (Shares: DWY).

Solicitors

Clayton Utz (Australia)
Joelson Wilson (UK)

DWYKA RESOURCES LIMITED

CHAIRMAN'S LETTER

Dear Shareholder

This financial year has been a period of significant change for your Company. Given the continued strong global market for resources and commodities, your directors announced on 17 January 2007 their intention to pursue a diversified growth strategy with the aim of broadening the Company's focus, establishing a portfolio of assets across a range of metals and minerals sectors and driving shareholder value. A change in the Company's name to Dwyka Resources Limited reflected this diversified growth strategy.

In the subsequent months, the implementation of this strategy has seen the company acquire interests in two exciting new projects – the Muremera nickel project, located in Burundi and owned by Dwyka's wholly-owned subsidiary Danyland Limited ("**Danyland**") was acquired in February 2007 and the Swazigold project, located in Swaziland, in respect of which the Company has a 45% overall interest as a consequence of its 50% shareholding in Swazi Gold Ventures (Pty) Ltd ("**SGV**"), the holder of a 90% interest in the project vehicle; the acquisition of which was completed in July 2007.

The Muremera nickel project is located within 2 kilometres of the Kabanga project, the world's largest undeveloped nickel sulphide deposit. Located just across the border in Tanzania, Kabanga was discovered in 1976 by the United Nations Development Programme ("**UNDP**"). Further UNDP surveys in 1978 resulted in the discovery of the prospective Muremera deposits on the Burundi side of the border. The anomalies have similar characteristics and further follow-up work by the UNDP confirmed that massive sulphide bodies, with nickel mineralisation, are the source of the anomalies. Extensive geophysics and geochemical surveys have delineated numerous targets and these are in the process of being drilled by BHP Billiton World Exploration, Inc. ("**BHPB**") pursuant to an Earn-in and Shareholders Agreement that will see the Company free-carried to the resource concept study phase in consideration of the acquisition by BHPB of an interest of up to 50% in Danyland.

The Swazigold project is located in the highly prospective Archaean Barberton Greenstone Belt straddling the border between Swaziland and Mpumalanga province in South Africa. The Company has the right to earn up to a 90% interest in the project by virtue of acquiring up to 100% of the shares in SGV through various cash and share-based payments and by funding project expenditure. Historical work on the Swazigold project (carried out predominantly by Rio Tinto and JCI) includes geochemistry, geological mapping and 13,600 metres of drilling. The Company considers that four prospects have "step up and drill potential" and intends to pursue these targets over the coming months.

Over the past two years, the Company has established a strong portfolio of producing diamond assets, notably the SMI4 tailings re-treatment project and the Blaauwbosch and Newlands underground kimberlite mines. These are supplemented by a number of prospective exploration projects in Southern Africa, as well as the Kimberley-based bricks and cement businesses. However, the lack of organic growth opportunities and the preponderance of small diamond explorers and producers listed on the AIM exchange (with whom Dwyka has to compete for capital) have caused the Company to re-think, as part of its new corporate strategy, the optimum means of developing and maximising value from those assets.

Consistent with this strategy and as announced on 21 August 2007, the Company recently entered into a transaction with AIM-listed KimCor Diamonds Plc ("**KimCor**"), whereby the diamond and industrial assets of the Company will effectively be merged with those of KimCor, with Dwyka being the major shareholder in the enlarged vehicle. The consolidation of the Company's assets with those of KimCor will create a mid-tier (by volume) diamond producer and is expected to give rise to a number of benefits, including greater access to capital, operational synergies with KimCor's existing South African projects and the formation of a focussed management team to aggressively progress the development of the enlarged entity's assets. Through Dwyka's majority shareholding in KimCor, Dwyka shareholders will retain exposure to the upside from the enlarged suite of assets whilst enabling the Company itself to focus on the development of its new nickel and gold projects.

Over the coming 12 months, the Company will continue to implement its new, diversified corporate strategy by aggressively pursuing the already exciting Muremera and Swazigold opportunities and, if appropriate, looking to acquire strategic assets that complement its existing project portfolio.

I thank you for your continued support of the Company and look forward to an exciting new chapter in its development.



Ed Nealon

Chairman

28 September 2007

DWYKA RESOURCES LIMITED

OPERATIONS AND FINANCIAL REVIEW

Operating Results

Introduction

Dwyka Resources Limited (“Dwyka” or the “Company”) (formerly Dwyka Diamonds Limited), changed its name in March 2007, having shifted its focus from diamonds to the diversified minerals sector to achieve maximum value for shareholders during the current resource boom.

The Company’s strategy is a direct response to the seemingly insatiable world demand for commodities of all types, driven in large part by the urbanisation of China and its expanding consumer classes. To that end, Dwyka has diversified into exploration for nickel and gold, in Burundi and Swaziland respectively.

Furthermore, subsequent to year end the company announced that it had signed an agreement with KimCor Diamonds Plc (“KimCor”) to consolidate Dwyka’s diamond and industrial assets with KimCor’s existing diamond assets, creating a more robust, growth orientated entity to allow Dwyka’s shareholders to retain exposure to upside from larger suite of diamond assets through Dwyka’s controlling shareholding in KimCor.

Dwyka has a strong and well-respected senior management team committed to adding value for the Company’s shareholders. Dwyka’s directors have proven exploration, mining, development and marketing expertise, as well as extensive public company experience.

Swazi Gold Project – 50% (earning up to 90%)

In March 2007, Dwyka signed a memorandum of understanding (‘MoU’) with South African-listed Swazi Gold Ventures (Pty) Ltd (‘SGV’), thereby securing the rights to a 90% interest in Swaziland Gold (Pty) Ltd (‘SwaziGold’), which in turn owns the Swazigold Project in Swaziland, Africa. This MoU was converted into an agreement which was completed in July 2007.

The project is a large (435 square kilometre) gold exploration play in the highly prospective Archaean Barberton Greenstone Belt in Swaziland, historically a producer of 11.5 million ounces of gold.

Potential

Greenstone belts of Archaean age are known to host goldfields in most of the ancient cratonic blocks that form the nucleus of the continents. When the ancient lavas extruded onto the earliest formed continental crust, major gold deposits were formed. This is the case not only in southern Africa but also in Canada and Australia, where the giant Kalgoorlie goldfield is particularly renowned. Such belts are also prospective for nickel.

In the Barberton Greenstone Belt, extensive, shallow, historic workings, plus a lack of modern exploration, have presented Dwyka with an ideal opportunity. Previous owners drilled some 13,500 metres of the Project area, providing the Company with a drill database that includes numerous gold intersections. These have allowed Dwyka to establish immediate targets for both infill drilling and the development of extensions to established zones of mineralisation. In this environment, it is believed that Dwyka’s gold exploration activities will accelerate.

From an initial review of the geology, the Company believes the Project has the potential for proving more than 2 million ounces of high-grade gold mineralisation. Already, numerous targets ranging from advanced drilling projects to promising geochemical anomalies have been identified along a 40-kilometre strike length.

DWYKA RESOURCES LIMITED

OPERATIONS AND FINANCIAL REVIEW

Advantages

Advantages of the Project include the following.

- Substantial geological database already in existence.
- Some 13,600 metres of drill data (valued at more than US\$2 million) available.
- Good field access and local infrastructure.
- Local management/geological/technical team already in place.
- Located in the Rand Common Monetary Area, just 3 hours' drive from Johannesburg.

An agreement based on the MoU was completed in July 2007. At that time Dwyka paid \$US200,000 plus shares to the value of \$1.5 million to earn an initial 50% interest in the SGV. To earn 70%, the Company must commit \$US750,000 to the project by June 2008 and pay a further \$US200,000 plus another \$US1 million worth of shares. To acquire an 85% or 90% stake, Dwyka needs to commit more funds, issue additional shares and reach bankable feasibility stage.

Burundi Nickel Project – 100% (BHP World Exploration Inc earning up to 50%)

In January 2007 Dwyka acquired the Muremera nickel project in Burundi, Africa by way of the issue of Dwyka Resources shares. Further share consideration may be payable depending upon future exploration hurdles.

The Company controls the Muremera Project through its wholly owned subsidiary, Danyland Limited, which holds the exploration rights for nickel and associated minerals in the project area.

Potential

Muremera is located within one of the world's principal nickel provinces, only 2 kilometres from, almost adjacent to and in the same geological sequence as, the giant Kabanga deposit in Tanzania.

The Kabanga project, which is controlled by Xstrata/Barrick, is thought to be the world's largest undeveloped nickel sulphide deposit. As at December 2006, the Kabanga resource was as follows.

Category	Tonnes	Ni (%)	Cu (%)	Co (%)	Au (g/t)	Pt (g/t)	Pd (g/t)	Ag (g/t)
Indicated	9,700,000	2.37	0.32	0.19	0.04	0.07	0.09	1.04
Inferred	36,300,000	2.8	0.4	0.2	0.1	0.3	0.3	1.5

Ni = nickel; Cu = copper; Co = cobalt; Au = gold; Pt = platinum; Pd = palladium; Ag = silver; g/t = grams per tonne

Geophysical anomalies at Muremera are similar to those at Kabanga, with sulphides identified within target zones and nickel identified in the sulphide occurrences. Mining permits have been granted and access for exploration activities is good.

Partner

The project's prospectivity has led to a commitment from BHP World Exploration Inc ('BHP') to spend US\$5.2 million (A\$6.5 million) on the project, to earn up to a 50% interest in Dwyka subsidiary Danyland.

Danyland's agreement with BHP allows Danyland to fast-track its exploration program. Further, the partnership provides Dwyka with access to BHP's technical and other expertise.

DWYKA RESOURCES LIMITED

OPERATIONS AND FINANCIAL REVIEW

Under the terms of BHP's agreement with Danyland, BHP's investment at Muremera will occur in three stages.

- **Stage 1** - the commitment of \$US1.2 million to initial exploration to earn 10% equity in Danyland.
- **Stage 2** - investment of \$US2 million on target testing to earn a further 20% equity.
- **Stage 3** - the investment of a further \$US2 million on resource definition and completion of a concept study to take BHP's aggregate interest to 50%.

BHP can withdraw from the project during or after the completion of any of the stages with no further commitment. However, in doing so it would retain only the equity earned from completion of the previous stage.

Once BHP fully satisfies its earn-in obligations, Danyland and BHP will contribute to further development of Muremera in proportion to their percentage shareholdings in Danyland.

South African Diamond and Industrial Operations – 70% (Kolong Investments Limited (BEE partner) 30%)

In October 2006 the BEE restructure of Dwyka's South African operations was completed. As a result Dwyka now owns 70% of all the South African operations which are now fully BEE-compliant, with the result that Dwyka:

- can proceed to conversion of all "old order" mining rights to "new order" rights as contemplated under applicable South African legislation;
- can maximise development of its existing projects and operations;
- is now placed in a strong position to secure further opportunities in South Africa; and
- will, as regards its Industrial Products division, be viewed as a "preferred" supplier to South African mining companies and in relation to tendering and procurement with government.

This re-structure bringing all of Dwyka's South African operations within the BEE compliance provides future certainty for all Dwyka's South African operations and will provide the Board with the confidence to pursue longer term commitment of capital to generate the maximum return from both existing assets and potential acquisitions.

De Beers Tailings Re-treatment Project

The De Beers tailings re-treatment project was constructed adjacent to tailings dumps located on the eastern outskirts of Kimberley. The plant is a state-of-the-art dense media separation plant capable of exceeding the original design capacity of 50,000 tonnes per month. During this financial year the Company increased its interest in this project from 40% to 70%.

The contractual arrangement with De Beers Consolidated Mines Limited ("De Beers"), the owners of the tailings, was initially based on toll treating up to 50,000 tonnes per month. Under the terms of the agreement Superkolong (Pty) Ltd, Dwyka's BEE operating subsidiary, was paid a fee per tonne processed. Superkolong was to also receive a share of diamond revenue based on recovered grade.

Commissioning of the plant commenced in April 2006, however it was not until April 2007 that the plant first exceeded design capacity. During that commissioning period, the revenue received from the toll treating was insufficient to cover the cost of commissioning. Subsequent capital modifications were required to achieve nameplate capacity. Feed grades to the plant were lower than anticipated and the operation suffered significant down time due to erratic water supply, and lack of feed on some occasions. However, after 12 months of operation the plant proved its ability to exceed design capacity on a regular basis.

During the reporting period the financial performance from this project was significantly affected by the low grade of material being processed. Initial feed grades were erratic with the average grade recovered being significantly lower than the anticipated grade (as supplied by De Beers) upon which project implementation had been based. The best safeguard against low and erratic grade for such an operation is increased throughput, a parameter which was originally contractually restricted and a structural change in the contract with De Beers was required.

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OPERATIONS AND FINANCIAL REVIEW

As an interim measure De Beers provided the opportunity for Superkolong to amend the terms of the toll treating agreement. Revised contractual terms were negotiated which resulted in removing the 50,000 tonne per month processing throughput restriction, and providing Superkolong with 100% of the diamond sales revenue. Contractual changes were affected in May 2007.

Also during the period De Beers advised of their intention to sell the dumps and invited Superkolong, together with other parties, to submit a tender to purchase them.

Notwithstanding the amended financial arrangements and the removal of processing restrictions, at the current grades the plant requires increased capacity to be financially successful. Under such circumstances and there being some uncertainty as to whether the acquisition of the dumps would be successful, production operations were suspended while plans for a plant upgrade to generate increased throughput were commenced.

Since the time at which De Beers gave notice of their intention to sell the dumps, Superkolong have been party to the negotiations to purchase the dumps in conjunction with other operators that also have processing agreements with De Beers. These negotiations are continuing.

The operation processed 359,000 tonnes of tailings material for the period, recovering 17,300 carats. All diamonds were sold through De Beers.

Nooitgedacht Alluvial Mine

The Nooitgedacht mine is located on the farm Nooitgedacht some 15 kilometres north west of Kimberley, South Africa. The farm extends for 6 kilometres along the eastern bank of the Vaal River, covering an area of 4,671 hectares.

Between the late 1940s and the 1970s, a small portion of the Nooitgedacht property was mined by diggers under a license arrangement with De Beers Consolidated Mines Limited. During this period, historical records note that some 76,000 carats were recovered in total from the property, with the largest stone being the Venter diamond that weighed 511 carats. This is the largest alluvial diamond recovered in South Africa, and the subsequent diamond rush resulted in the recovery of two diamonds greater than 300 carats. A total of 14 diamonds weighing greater than 100 carats each have been recovered from the Nooitgedacht property, including one recovered by the company.

Historically Nooitgedacht has been a low-grade, low-cost producer however the diamonds recovered are of high value. During the period conflicting operational priorities and limited management resources led the Company to place the mining operation on care and maintenance in December 2006. Approximately 70,000 tonnes of gravel was processed for the period, recovering 423 carats of diamonds. Mining operations had resulted in substantial stockpiles of clean alluvial cobbles and boulders which were subsequently tested for use as aggregate in concrete. The tests proved positive and a crushing plant was installed to produce a commercial product from the waste material. This strategy has been successful, and the Nooitgedacht site now supplies a large proportion of the crushed aggregate used by the Company's industrial division, for the manufacture of bricks and concrete. The internal supply of this material has a significant cost benefit to the brick and concrete business.

Mining operations are expected to re-commence during the 2007/8 financial year.

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OPERATIONS AND FINANCIAL REVIEW

Blaauwbosch Kimberlite Mine

The Blaauwbosch mine is located approximately 90 kilometres east of Kimberley in the well known diamond producing area of Boshoff. The Blaauwbosch pipe (3.71 acres at surface) was mined to a depth of about 110 metres producing an estimated 967,000t of ore, yielding some 338,000 carats at an average grade of 34.95 carats per hundred tonne (“cpht”). Operations were ceased in 1967 due to flooding.

The planned capital upgrade program, implemented at the time of acquisition of the mine, continued during the year. This programme included deepening the existing haulage shaft to 225 metres, lateral development of levels from 110 metres to 205 metres and development of a separate ventilation and emergency access shaft. Unfortunately significant delays were incurred as a result of statutory constraints relating to the underground operations below the partially refilled open cut. Additional geotechnical studies were undertaken and safeguards implemented to minimise potential risks associated with developing in this area. Mines department approval was obtained to continue operations resulting in the development of new stopping blocks in the upper levels of the workings, installation of an ore pass system, and development of the main haulage level 205 metres below the shaft collar.

With access restored to the upper levels it became apparent that the kimberlite in those areas, having been exposed for several years, was deteriorating rapidly and ground conditions were poor. Substantial temporary ground support was required, and the size of new openings was restricted, slowing the rate of production from these areas. Development at lower levels in the mine has exposed much more competent kimberlite material, and ground stability is not anticipated to present any major difficulties as the mining depth increases. As the additional levels are opened for production, it is anticipated that productivity rates will improve significantly.

Retreatment of historic tailings also continued on the site. Total production during the year was as follows:

	Tonnes	Carats	Grade
Underground	34,805	3,438	9.88
Tailings	34,364	1,409	4.10

Diamonds recovered from development at Blaauwbosch have been of good quality with an average price of approximately US\$110 per carat.

Newlands Kimberlite Mine

The Newlands Mine is located 60 kilometres north-west of Kimberley on the Harts River. The project area contains of five kimberlite blows, which occur on two north-east striking fissures.

Most of the production for the year came from Blow 2 on which the Company commenced a development program soon after acquisition. The shaft was deepened and new production levels developed. The small area of the blow constrained production and additional complications were encountered with the location of the existing shaft. Although plans had been made to extend the depth of the shaft, the projected extensions intersected the kimberlite pipe being mined. An internal haulage shaft, offset from the main shaft was commenced to extend the workings to the planned depth. The offset was accessed through a short cross-cut with the configuration requiring the installation of a winder underground and the requirement to double handle ore from lower levels. The material handling complexities restricted the haulage capacity from the deeper levels.

The capacity constraints placed on haulage from the lower levels of Blow 2 resulted in the examination and development of Blow 3 to provide an additional haulage shaft and to increase the number of faces available for production. The first production from Blow 3 was forthcoming towards the end of the year and results were encouraging, particularly the shape and quality of stones recovered. With the added capacity of an additional haulage shaft, the ability to achieve production targets will be greatly enhanced. Improvement of ore haulage systems, by the development of scraper gullies to feed ore from working faces to ore passes, is being implemented in the Blow 2 workings, to reduce labour costs, improve safety and increase productivity.

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OPERATIONS AND FINANCIAL REVIEW

Tailing from historic production at both Blow 2 and Blow 3 were processed to maintain plant throughput.

Newlands production for the year was as follows:

	Tonnes	Carats	Grade
Blow 2 underground	40,340	5,039	12.49
Blow 2 tailings	15,918	1,136	7.14
Blow 3 underground	574	74	12.93
Blow 3 tailings	3,109	215	6.90

New Elands Kimberlite Mine

The New Elands Mine is situated 90 kilometres northeast of Kimberley in the Boshoff district, Free State Province, South Africa. It is approximately 6 kilometres north-north-east of Blaauwbosch. New Elands historically produced some 1.5 million tonnes from fissures and kimberlite blows, yielding at an estimated grade of 34 cpht.

During the year the Company commenced dewatering operations but is yet to gain access to, and is yet to examine the historic workings.

A small quantity of tailings was processed during the year, utilising contractors with a royalty being paid to the Company.

Bosele Exploration Project

The Bosele project consists of a 1,100 hectares prospecting permit immediately south of the Dancarl Mining Lease in the Northern Cape Province in South Africa, 80 kilometres north of Kimberley. Dancarl is a prominent producer of diamonds from fissures and small pipes.

The area hosts numerous kimberlitic fissures, some of which are diamondiferous. Since April 2004 exploration has focused on newly discovered crater facies volcano clastic rocks which occur in the southern and central parts of the Bosele. The Company conducted a limited amount of field work during the year, focusing its attention on locating the source of diamonds extracted from bulk samples in the previous year.

Industrial Division

The Company operates an industrial business, based in Kimberley (South Africa) which supplies building products to the local market. During the year the industrial business produced a cashflow of ZAR 24.5 million. Concrete accounted for a little over half of the revenue with bricks and pavers accounting for the remainder.

A major contract was awarded to the Company for supply of concrete during the construction of a new prison near Kimberley. Delivery commenced in February 2007 with anticipated delivery of 2,000 cubic metres per month over a duration of 17 months. In total, over 40,000 cubic metres will be delivered at an average price of about ZAR 600 per cubic metre generating total expected revenues of approximately ZAR 24,000,000.

DWYKA RESOURCES LIMITED

OPERATIONS AND FINANCIAL REVIEW

Tanzania Exploration Project – 75-95% (De Beers/Thornton 5-25%)

The Company acquired the diamondiferous Mahene and Itanana kimberlite pipes in the Nzega District of Tanzania from De Beers in 2005. Thorntree Minerals Limited is assisting with logistical, managerial and government liaison support within Tanzania. Thorntree Minerals has the right to participate in 20% of the company's equity interest in the projects once the decision to progress to feasibility study is taken. Thorntree will be required to fund their share of costs to maintain their equity position.

De Beers has the option to acquire a 51 per cent shareholding in Dwyka Tanzania Limited, the company's subsidiary holding the project, by reimbursing the company three times the costs incurred by the company to evaluate the projects. Alternatively, De Beers may elect to remain as a 5 per cent shareholder in Dwyka Tanzania Limited ("Dwyka Tanzania") or convert its shareholding into a 1.5 per cent gross royalty payable on diamond revenues. As part of the agreement Dwyka Tanzania will sell all diamonds recovered in the licence areas to De Beers.

During the year the Company continued to study the optimum method for bulk sampling these areas as well as commencing the preparation of plant and equipment required to undertake a bulk sample of the pipes. Approvals are being sought for the mobilisation of the required plant and equipment to Tanzania.

Indian Exploration Project

Subsequent to the end of the financial year, the company announced that the diversified minerals developer India Resources Limited (ASX:IRL) had exercised its option to acquire the prospective diamond leases held by Dwyka's subsidiary company, AMIL Mining India Private Limited ("AMIL") and is moving to acquire 100% of AMIL.

The AMIL leases were previously controlled by Dwyka under an agreement with BHP Billiton. Dwyka will retain a life of tenement 2.5% production royalty.

Operating Results

The results for the financial year have been impacted by the directors' decisions during the year to raise an impairment charge against a number of the Group's assets. This resulted in an impairment charge of \$10.7 million during the year.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Dwyka Resources Limited (referred to hereafter as the "Company" or "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2007.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

E Nealon, M Sturgess, M Langoulant, E Kirby and A Griffin

T McConnachie was appointed a director on 23 April 2007 and continues in that capacity at the date of this report.

C Bredenkamp was a director at the beginning of the financial year but resigned as a director on 20 December 2006.

Corporate structure

The Company is a company limited by shares that is incorporated and domiciled in Australia. Details of the entities that the Company controlled during the financial year are disclosed in note 32 to the accounts.

Principal activities

The principal continuing activities of the Group during the course of the financial year were exploration, evaluation and mining of diamonds and other minerals.

The Group also produces building materials, including concrete, cement bricks, blocks, pavers, sand and aggregate, as by-products from the diamond mining operations.

Dividends

No amounts were paid by way of dividend since the end of the previous financial year. The directors do not recommend the payment of a dividend.

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operations and financial review section of this annual report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were:

- In February and March 2007 the company issued a total of 9,713,014 ordinary shares at \$0.40 to acquire 100% of Danyland Limited, the owner of the Muremera nickel project; and
- In March 2007 the company completed an underwritten share purchase plan and associated placement to raise \$5,000,000 by the issue of 16,129,122 ordinary shares at \$0.31.

There were no other significant changes in the state of affairs of the Group that occurred in the financial year not otherwise disclosed in this report.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Matters subsequent to the end of the financial year

Since the end of the financial year the Group has:

- extinguished in full the GBP1,000,000 convertible note liability by the issue of 2,777,778 ordinary shares at an issue price of GBP 0.36 (\$A0.84);
- settled the deferred consideration due in relation to the acquisition of Bellsbank Mining Number One (Proprietary) Limited, Kophia Diamonds (Proprietary) Limited and Rex Exploration (Proprietary) Limited by the issue of 2,349,400 fully paid ordinary shares at GBP0.35 (\$A0.84) in accordance with the terms of the original purchase agreement. As part of the settlement Dwyka has been released from outstanding commitments and ongoing obligations related to the purchase;
- completed the purchase of an initial 50% interest in Swazi Gold Venture (Pty) Ltd by the issue of 3,962,757 ordinary shares plus a cash payment of \$US200,000; and
- completed the sale of its portfolio of diamond and industrial assets to AIM listed KimCor Diamonds Plc. This transaction results in Dwyka selling its investment in and loan receivables to various subsidiaries with a book value of \$16,820,000 in consideration of the issue of 134,383,718 ordinary shares in KimCor Diamonds Plc. Shareholder approval for this transaction has been received from both the Dwyka and KimCor Diamonds shareholders and the transaction was completed on 24 September 2007. Dwyka now owns 50.09% of the expanded KimCor Diamonds Plc group. As part of and contemporaneously with completion of this transaction KimCor Diamonds has completed a capital raising of approximately GBP4.2 million (AUD10.1 million) at an issue price of GBP0.065. These funds will primarily be used to finance capital development of the expanded group's South African assets.

Other than the above, there has not been any other circumstance that has arisen after the balance sheet date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and expected results

Comments on expected results of certain aspects of the operations of the Group are included in the operations and financial review section of this report. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are subject to significant environmental regulations under legislation in relation to mining, exploration and evaluation activities. The Group's operations are also subject to environmental management programme statements outlining environmental and rehabilitation principles to be adhered to in work programmes. There have been no significant known breaches of these regulations and principles.

The Group has lodged environmental rehabilitation bonds for each South African project area.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Information on directors

E F G Nealon BSc. Geol (Hons), MSc. Geol, MAusIMM. *Non-executive Chairman.* Aged 56

Experience and expertise

Appointed April 2001, Mr Nealon is a qualified geologist with over 25 years experience in the mining and exploration industry. He has worked around the world with major companies such as Anglo-America Corporation, Rio Tinto and Aquarius Platinum. He founded his own consulting company in 1983.

Other current directorships

Non-executive director of Tanzanite One Limited.

Former directorships in last 3 years

Sylvania Resources Limited

Special responsibilities

Chairman

Interests in shares and options

2,064,129 ordinary shares

M J Sturgess BSc, MBA. *Chief Executive Officer.* Aged 41

Experience and expertise

Appointed in April 2001, Ms Sturgess' early career was with British Airways and lawyers Mallesons Stephen Jacques. She has worked in the corporate development and promotion of a range of public companies, including Aquarius Platinum Limited where she was primarily responsible for attracting institutional shareholders.

Other current directorships

Non-executive director of Churchill Mining PLC and Washington Resources Limited.

Former directorships in last 3 years

Sylvania Resources Limited

Special responsibilities

Executive Chairman until 23 April 2007 – subsequently Chief Executive Officer, Member of Audit Committee.

Interests in shares and options

2,069,855 ordinary shares

A Griffin BSc (Hons) *Non-executive director.* Aged 54

Experience and expertise

Appointed 1 December 2005, Mr Griffin has a background as a geologist with over 25 years experience in the mining industry, throughout Australia and Southeast Asia. He commenced his career in the area of base metal exploration before moving to BHP to undertake a role in the development of iron ore exploration methodology, mine planning and grade control.

Other current directorships

Managing director of Washington Resources Limited and Hodges Resources Limited, Chairman of Empire Resources Limited and non-executive director of Northern Uranium Limited and Reedy Lagoon Corporation Limited.

Former directorships in last 3 years

None

Special responsibilities

Chief Executive Officer until 23 April 2007 – subsequently Technical Director South Africa operations

Interests in shares and options

1,005,000 ordinary shares

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

T M McConnachie. *Non-executive director.* Aged 51

Experience and expertise

Appointed as a director in April 2007. Mr McConnachie has over 25 years of experience in mining, beneficiation of ferroalloys and precious metals. He was the founder of Merefe Resources Limited (formerly South African Chrome & Alloys Ltd), a successful chrome mining company; black empowered and listed on the Johannesburg Stock Exchange with assets worth in excess of a billion rand (\$350 million). He is well known for identifying mining opportunities and has started many new green-field operations in gold, manganese, aluminium, graphite and tantalite. He has been CEO of a number of mining, mining services and smelting companies in South Africa.

Other current directorships

CEO of Sylvania Resources Limited

Former directorships in the last 3 years

None.

Special responsibilities

None

Interests in shares and options

None

E Kirby BSc (Hons) Metallurgy, PhD Metallurgy, MAusIMM, MSthAfrIMM. *Non-executive director.* Aged 56

Experience and expertise

Appointed in November 2002, Dr Kirby has worked for major companies such as Impala Platinum, Rand Mines, Rustenburg Platinum Mines, Minproc Engineers and Bechtel before starting his own consulting business in 2002. He has broad experience with the development of a wide range of mining and minerals processing projects particularly in Africa and Australia.

Other current directorships

Non-executive director of Sylvania Resources Limited and Wedgetail Exploration NL

Former directorships in last 3 years

None.

Special responsibilities

None

Interests in shares and options

1,016,129 ordinary shares

M J Langoulant B Com, CA. *Chief Financial Officer and Company Secretary.* Aged 50

Experience and expertise

Appointed in April 2005, Mr Langoulant is a Chartered Accountant with over 20 years experience in public company corporate administration and fundraising. After 10 years with large international accounting firms he has acted as CFO, company secretary and non-executive director with a number of publicly listed companies. He started his own consultancy firm in 1994.

Other current directorships

None

Former directorships in last 3 years

None.

Special responsibilities

Chief Financial Officer, Company secretary, Member of Audit Committee

Interests in shares and options

1,016,129 ordinary shares

Company secretary

The company secretary since July 2004 has been M Langoulant.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Meetings of directors

During the financial year there were thirteen formal directors' meetings. All other matters that required formal board resolutions were dealt with via circulating written rotary resolutions. In addition the directors met on an informal basis at regular intervals during the year to discuss the company's affairs. Other than an Audit sub-committee, which was formed during the year, there are no sub-committees of the Board of directors. The number of meetings of the company's Board of directors attended by each director was:

	<i>Directors' meetings held whilst in office</i>	<i>Directors' meetings attended</i>	<i>Audit Committee meetings held</i>	<i>Audit Committee meetings attended</i>
M Sturgess*	13	13	2	2
A Griffin	13	12	2	-
C Bredenkamp	3	1	1	-
M Langoulant*	13	13	2	2
E Nealon	13	11	2	-
E Kirby	13	10	2	-
T McConnachie	3	2	-	-

* Audit Committee member.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration (audited)
- B Details of remuneration (audited)
- C Service agreements (audited)
- D Share-based compensation (audited)
- E Additional information (unaudited)

A *Principles used to determine the nature and amount of remuneration (audited)*

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the creation of value for shareholders. The key criteria for good reward governance practices adopted by the Board are:

- competitiveness and reasonableness
- acceptability to shareholders
- performance incentives
- transparency
- capital management.

The framework provides a mix of fixed fee, consultancy agreement based remuneration, and share based incentives.

The remuneration policy for determining the nature and amount of emoluments of board members and senior executives of the company is determined by the full Board in accordance with a written Remuneration Committee Charter. The Board's aim is to ensure the remuneration packages properly reflect directors' and executives' duties and responsibilities. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention and motivation of a high quality Board and executive team.

At this stage of the company's development the remuneration policy is that no element of any director/executive package should be directly related to the company's financial performance. Indeed there are no elements of any director or executive remuneration that is dependent upon the satisfaction of any specific condition. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth. This policy has been consistent over the past several financial years.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and are intended to be in line with the market.

Executive directors

All executive directors are either employees or perform some executive or consultancy services. However, each executive director receives a separate fixed fee for their services as directors, as the Board considers it important to distinguish between the executive/consulting and non-executive roles held by those individuals.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (audited) (continued)

Retirement allowances for directors

Apart from superannuation payments paid on salaries and base director fees there are no retirement allowances for directors.

Executive pay

The executive pay and reward framework has two components:

- base pay and benefits such as superannuation; and
- long-term incentives through participation in the Employee Share/Option Plan.

Base pay

All directors and executives who are not employees currently receive a fixed monthly retainer as agreed with the company. All salaries and monthly retainers are reviewed on at least an annual basis.

Benefits

Apart from statutory superannuation paid on salaries there are no additional benefits paid to directors and executives.

Employee share/option plan

Information on the existing employee share and option plans is set out in note 37.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Dwyka Resources Limited and the Group are set out in the following tables. There are no elements of remuneration that are directly related to the Group's performance. The remuneration shown for C Bredenkamp includes remuneration paid to him during the period he was not a director of the company.

The key management personnel of Dwyka Resources Limited and the Group include the directors as above and Mr Bredenkamp (Managing Director, South Africa). In the year ended 30 June 2006 Mr Button – Commercial Manager was considered key management personnel.

The named executives and executive directors of the Group are also the 5 highest paid executives of the Group. There are only 4 such executives for the parent entity.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report (continued)

B Details of remuneration (audited) (continued)

Remuneration of key management personnel of Dwyka Resources Limited and the Group

All the key management of the Group are key management of the parent company except for C Bredekamp.

2007

Name	Short-term benefits		Post-employment	Share and option	Total
	Base fees	Salary and consultancy	Superannuation	based payments	
	\$	\$	\$	\$	\$
<i>Executive directors</i>					
M Sturgess	35,000	230,000	3,150	84,627	352,777
M Langoulant	35,000	60,000	3,150	71,482	169,632
<i>Non-executive directors</i>					
E Nealon	35,000	17,200	3,150	84,627	139,977
E Kirby	35,000	50,004	3,150	56,898	145,052
A Griffin	35,000	136,759	15,975	44,135	231,869
T McConnachie	6,616	-	-	-	6,616
<i>Other key management</i>					
C Bredekamp	18,363	131,161	-	55,506	205,030
Total	199,979	625,124	28,575	397,275	1,250,953

2006

<i>Executive directors</i>					
M Sturgess	35,000	230,000	3,150	101,158	369,308
A Griffin	20,417	83,653	9,366	-	113,436
C Bredekamp	35,000	149,641	-	23,464	208,105
M Langoulant	35,000	72,000	3,150	52,358	162,508
<i>Non-executives directors</i>					
E Nealon	35,000	80,000	3,150	101,158	219,308
E Kirby	35,000	100,000	3,150	51,468	189,618
<i>Other key management</i>					
G Button	-	70,416	-	12,254	82,670
Total	195,417	785,710	21,966	341,860	1,344,953

The amounts shown for Mr Bredekamp include remuneration received while he was not a director of the Company.

C Service agreements (audited)

No formal service agreements have been entered into with directors or with other key management personnel. These directors and other key management personnel are retained on a monthly retainer which is reviewed at least annually and can be terminated upon one months notice.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report (continued)

D Share-based compensation (audited)

Employee share and option plans

Shares and options are granted under the employee incentive share plan and the employee incentive option plan, which were approved by shareholders at the 2003 annual general meeting. These plans were replaced by new plans approved at the 2005 annual general meeting and again at a January 2007 general meeting.

The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of participants.

A participant who is invited to subscribe for shares under the share plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Interest free;
- Applied directly against the issue price of the shares to be acquired under the plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the share plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

The Board has sole responsibility to determine the number of options and terms and conditions of options granted to any participant under the option plan.

The options issued under the option plan will be granted free of charge. The exercise price for the options is to be not less than the weighted average share price for the last five trading days immediately preceding the options being offered to the participant.

The expiry date of the options will be determined by the Board and will also lapse within one month of the participant ceasing to be a director, employee or consultant of the company or a controlled entity (subject to certain exceptions). The Board at its discretion may apply certain vesting conditions upon any options issued under the option plan.

The options are not transferable without prior written approval from the Board. The options will not be quoted on a publicly traded stock market; however application will be made for ASX/AIM quotation of the shares issued upon the exercise of the options.

The aim of the employee incentive share and option plans is to provide long term incentives to directors and executives to create and enhance shareholder wealth and to provide a mechanism to assist the company in its endeavours to retain key executives and employees.

For the purposes of this remuneration report shares issued under the share plan for which a loan has not been repaid are considered options.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report (continued)

D Share-based compensation (audited) (continued)

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price of options	Value of shares at grant date	Date vested/exercisable
17 February 2004	30 June 2007	\$0.52	\$0.67	33% on each anniversary
21 December 2005	21 December 2008	\$0.87	\$0.65	33% on each anniversary
21 December 2005	21 December 2008	\$1.00	\$0.65	33% on each anniversary
12 April 2006	12 April 2009	\$1.00	\$0.78	33% on each anniversary
20 April 2006	30 June 2009	\$0.87	\$0.76	33% on each anniversary
20 April 2006	30 June 2009	\$1.00	\$0.76	33% on each anniversary
20 March 2007	30 June 2010	\$0.52	\$0.375	50% on each anniversary

Options granted under the plans carry no dividend or voting rights.

Details of employee plan share and options in the company provided as remuneration to each director of the company and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Dwyka Resources Limited.

Further information on the employee share and option plans are set out in note 37 to the financial statements.

	Number of options or shares granted during the year		Number of options or shares vested during the year	
	2007	2006	2007	2006
Directors of Dwyka Resources Limited				
M J Sturgess	-	1,000,000	666,667	333,333
A Griffin	1,000,000	-	-	-
E F G Nealon	-	1,000,000	666,667	333,333
E Kirby	-	750,000	333,333	83,333
M J Langoulant	-	1,000,000	333,333	-
T McConnachie	-	-	-	-
Other key management personnel of the Group				
C J Bredenkamp	250,000	-	166,667	83,333

During the year the following employee plan options were forfeited or cancelled:

Grant date	Expiry date	Exercise price of options	Number of options lapsed/cancelled
17 December 2003	17 December 2006	\$0.52	1,100,000
20 April 2006	30 June 2009	\$0.87	250,000
20 April 2006	30 June 2009	\$1.00	250,000

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report (continued)

D Share-based compensation (audited) (continued)

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the equity to be paid or exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The additional model inputs for shares and options granted during the year ended 30 June 2007 not included in the table above are:

- (a) options are granted for no consideration; share capital payable is funded by way of an interest free loan that is not repayable until the end of the option period
- (b) expected price volatility of the company's shares: 60% (2006: 60%)
- (c) expected dividend yield: nil (2006: nil)
- (d) risk-free interest rate: 6.2% (2006: 5.8%).

Shares provided on exercise of remuneration options

No ordinary shares in the company were provided as a result of the exercise of remuneration options during the year.

E Additional information (unaudited)

The remuneration of key management does not take into account the performance of the Group but is based on current market rates for personnel with similar skills and experience.

No options have been granted since the end of the year.

Further details relating to share based compensation are set out below.

Name	A Remuneration consisting of options	B Value at Grant date	C Value at exercise date	D Value at lapse date	E Total of columns B-D
E Nealon	60.5%	-	-	-	-
M Sturgess	24.0%	-	-	-	-
E Kirby	39.2%	-	-	-	-
M Langoulant	42.1%	-	-	-	-
A Griffin	19.0%	125,000	-	-	125,000
T McConnachie	0%	-	-	-	-
C Bredenkamp	27.0%	-	-	-	-

A = The percentage of the value of remuneration consisting of employee shares and options, based on the value of employee shares and options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of shares and options granted during the year as part of remuneration.

C = The value at exercise date of shares and options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of shares and options that were granted as part of remuneration and that lapsed during the year.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Shares under option

Unissued ordinary shares of the company under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
19 March 2007	30 June 2010	\$0.52	125,000

Since year end 1,000,000 options exercisable at \$1.00 and 825,000 options exercisable at \$0.52 have been exercised. No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

No shares were issued on the exercise of options during the year.

Insurance of officers

During the year the Company has paid premiums in respect of a contract insuring all directors and officers of the Company and its controlled entities against liabilities incurred as directors or officers to the extent permitted by the *Corporations Act 2001*. Due to a confidentiality clause in the contract the amount of the premium has not been disclosed.

Proceedings on behalf of Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the parent company auditor (PricewaterhouseCoopers), its related practices and non-related audit firms for audit and non-audit services provided during the year are set out below.

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Auditor of the parent entity				
- Australian firm	110,300	85,600	110,300	85,600
- Related practices of Australian firm	93,078	20,975	6,907	-
- Other firms	7,737	2,677	4,423	-
	211,115	109,252	121,630	85,600
Remuneration for other services:	-	-	-	-

The Audit Committee has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The auditor's independence was not compromised.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



M. J Sturgess
Chief Executive Officer
Perth Date: 28 September 2007

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Auditor's Independence Declaration

As lead auditor for the audit of Dwyka Resources Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Dwyka Resources Limited and the entities it controlled during the period.



Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
28 September 2007

DWYKA RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

Introduction

In accordance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* ("**ASX Principles and Recommendations**")¹, Dwyka Resources Ltd ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at www.dwyresources.com. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

Explanations for departures from best practice recommendations

During the Company's 2006/2007 financial year ("**Reporting Period**") the Company has complied with each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

Principle:	2
Recommendation:	2.1 – A majority of the Board should be independent directors
Notification of departure:	Three of the six directors are considered to be independent.
Explanation for departure:	The current board reflects the request by major shareholders in 2003 that the Board take a more active, day to day role in the Company. Since that time the Board has made changes to its composition and believes that its current structure is appropriate and is aligned with shareholder expectations.
Principle:	2
Recommendation:	2.2 – The Chairperson should be an independent director
Notification of departure:	Melissa Sturgess was the Chairperson for a portion of the Reporting Period. Ms Sturgess does not satisfy the test of independence as set out in Box 2.1 of the ASX Principles and Recommendations (" Independence Test "). The current Chairperson, Edward Nealon, is considered independent.
Explanation for departure:	Melissa Sturgess, who was Chairperson until 23 April 2007, does not satisfy paragraph 3 of the Independence Test due to her Consultancy Agreement with the Company. Up until the time of Mr Nealon's appointment, the Board believed that Ms Sturgess was the most appropriate person to hold the position of the Chair. However, following strategic diversification, the structure of the Board was reconsidered and the Company now has an independent Chairperson, in accordance with the recommendation.

¹ A copy of the ASX Principles and Recommendations is set out on the Company's website under the Section entitled "Corporate Governance".

DWYKA RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

Principle:	2
Recommendation:	2.4 – The Board should establish a Nomination Committee
Notification of departure:	A separate nomination committee has not been formed.
Explanation for departure:	The full Board considers those matters that would usually be the responsibility of a nomination committee. The composition of the Board does not make the establishment of a separate nomination committee practicable. The Board has adopted a Nomination Committee Charter, which it applies when convening as the nomination committee.

Principle:	4
Recommendation:	4.2 – Structure the Audit Committee so that it consists of only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson to the Board; and at least 3 members.
Notification of departure:	The Audit Committee consists of Melissa Sturgess and Michael Langoulant, who are both executive directors.
Explanation for departure:	The Company considers that the members of the Audit Committee are the most appropriate, given their experience and qualifications, for the Company's current needs. The Board has adopted an Audit Committee Charter, which the Audit Committee applies when convening. The Audit Committee Charter makes provision for the Audit Committee to meet with the external auditor, as required.

Principle:	8
Recommendation:	8.1 – The Board should establish a Remuneration Committee.
Notification of departure:	A separate remuneration committee has not been formed.
Explanation for departure:	The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. However, similarly to its approach to nomination-related matters, the Board has adopted a Remuneration Committee Charter, which it applies when convening as the remuneration committee. Time is set aside at one Board meeting each year specifically to address the matters usually considered by a remuneration committee in accordance with the Remuneration Committee Charter. Executive directors absent themselves during discussion of their remuneration.

Nomination committee

The full Board, in its capacity as the Nomination Committee, held two meeting during the reporting period. All members attended the two meetings.

DWYKA RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The Audit Committee consists of Melissa Sturgess and Mike Langoulant, both executive directors. The Audit Committee is chaired by Melissa Sturgess. There were two Audit Committee meetings held during the Reporting Period, attended by both members.

Details of each of the director's qualifications are set out in the Director's Report.

Mr Langoulant's qualifications and experience as a Chartered Accountant enable him to meet the test of financial literacy, experience and industry knowledge.

Remuneration committee

Company's remuneration policies

The company's remuneration policies as discussed in the "Remuneration Report" section of the Directors' Report.

The full Board, in its capacity as Remuneration Committee held one meeting during the reporting period. All members attended the meeting.

Other

Skills, experience, expertise and term of office of each Director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of independent directors

In considering independence of directors, the Board refers to the criteria for independence as recommended by the ASX. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Statement of Board and Management Functions, which is disclosed in full on the company's website.

Applying the Independence Test, the independent directors of the Company are Edward Nealon and Terry McConnachie.

Dr Evan Kirby does not meet the Independence Test as he has been an executive within the last three years. He does however meet all other aspects of the Independence Test and the Board considers that his role as an executive over two years ago, does not impact his ability to provide independent judgement. The Board therefore deems Dr Kirby to be independent.

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the company will pay the reasonable expenses associated with obtaining such advice.

DWYKA RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

Confirmation whether performance evaluation of the Board and its members have taken place and how conducted

During the Reporting Period an informal evaluation of the overall structure of the Board was carried out. The evaluation process comprised round table discussions regarding the composition of the Board with respect to the direction of the Company and resulted in changes to the Board.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

DWYKA RESOURCES LIMITED

FINANCIAL REPORT CONTENTS

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FINANCIAL REPORT	
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This financial report covers both Dwyka Resources Limited as an individual entity and the consolidated entity consisting of Dwyka Resources Limited and its subsidiaries. The financial report is presented in the Australian currency.

Dwyka Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Dwyka Resources Limited
98 Colin Street
West Perth, Western Australia 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the operations and financial review section and in the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 28 September 2007. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our website: www.dwyresources.com

DWYKA RESOURCES LIMITED

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Revenue	5	8,267	7,402	-	-
Cost of sales	6	(8,659)	(5,093)	-	-
Gross profit/(loss)		(392)	2,309	-	-
Other revenue	5	622	1,068	757	906
Administration	6	(6,865)	(4,988)	(3,110)	(2,825)
Impairment of assets	6	(24)	(3)	-	(4,400)
Impairment of plant and equipment	6	(3,319)	-	-	-
Impairment of exploration, evaluation and mining properties	6	(7,380)	(2,130)	(248)	-
Finance costs		(623)	(38)	(185)	(7)
Net loss before income tax benefit		(17,981)	(3,782)	(2,786)	(6,326)
Income tax benefit	7	1,621	168	20	28
Net loss after income tax benefit		(16,360)	(3,614)	(2,766)	(6,298)
Net profit attributable to minority interest		-	67	-	-
Net loss attributable to members of Dwyka Resources Limited	25	(16,360)	(3,681)	(2,766)	(6,298)
		Cents	Cents		
Basic loss per share	36	(17.41)	(4.4)		
Diluted loss per share	36	(17.41)	(4.4)		

The above income statements should be read in conjunction with the accompanying notes.

DWYKA RESOURCES LIMITED

BALANCE SHEETS

AS AT 30 JUNE 2007

	Notes	Consolidated		Parent entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
ASSETS					
Current assets					
Cash and cash equivalents	8	4,265	6,286	3,828	6,051
Trade and other receivables	9	815	977	16,896	12,737
Inventories	10	456	484	-	-
Total current assets		5,536	7,747	20,724	18,788
Non-current assets					
Receivables	11	-	4,536	102	-
Other financial assets	12	233	103	4,442	103
Property, plant and equipment	13	5,928	3,597	98	139
Exploration, evaluation and mining properties	14	6,579	8,709	-	-
Other	15	290	308	-	-
Total non-current assets		13,030	17,253	4,642	242
Total assets		18,566	25,000	25,366	19,030
LIABILITIES					
Current liabilities					
Trade and other payables	17	4,460	1,649	417	257
Borrowings	18	2,449	76	2,249	-
Provisions	19	212	249	7	5
Total current liabilities		7,121	1,974	2,673	262
Non-current liabilities					
Borrowings	20	4,029	2,611	-	2,183
Provisions	21	221	305	-	-
Deferred tax liability	22	-	1,601	-	-
Total non-current liabilities		4,250	4,517	-	2,183
Total liabilities		11,371	6,491	2,673	2,445
Net assets		7,195	18,509	22,693	16,585
EQUITY					
Contributed equity	23	65,580	56,693	65,580	56,693
Reserves	24	(1,356)	2,436	1,742	1,754
Accumulated losses	25	(57,029)	(40,669)	(44,629)	(41,863)
Parent entity interest		7,195	18,460	22,693	16,584
Minority interest	26	-	49	-	-
Total equity		7,195	18,509	22,693	16,584

The above balance sheets should be read in conjunction with the accompanying notes.

DWYKA RESOURCES LIMITED

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Total equity at the beginning of the financial year		18,509	14,569	16,584	15,598
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
Retained profits	25	-	82	-	82
Reserves	24	-	(82)	-	(82)
Restated total equity at beginning of financial year		18,509	14,569	16,584	15,598
Exchange differences on translation of foreign operations	24	(3,205)	288	-	-
Changes in fair value of available-for-sale financial assets, net of tax	24	103	41	103	41
Net income recognised directly in equity		(3,102)	329	103	41
Loss for the year		(16,360)	(3,614)	(2,766)	(6,298)
Adjustment for prior year losses recouped on minority interest		(49)	(18)	-	-
Total recognised income and expense for the year		(19,511)	(3,303)	(2,663)	(6,257)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of after tax transaction costs	23	8,887	5,967	8,887	5,967
Share based compensation	24	514	428	514	428
Cost of increased equity in subsidiary	24	(575)	-	-	-
Value of conversion rights of 8% convertible notes, net of tax	24	-	219	-	219
Deferred share consideration on purchase of business units	24	(629)	629	(629)	629
		8,197	7,243	8,772	7,243
Total equity at end of the financial year		7,195	18,509	22,693	16,584
Total recognised income and expense for the year is attributable to:					
Members of Dwyka Resources Limited		(19,511)	(3,369)	(2,663)	(6,274)
Minority interest	26	-	49	-	-
		(19,511)	(3,320)	(2,663)	(6,274)

The above statements of changes in equity should be read in conjunction with the accompanying notes.

DWYKA RESOURCES LIMITED

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated 2007 \$000	2006 \$000	Parent entity 2007 \$000	2006 \$000
Cash flow from operating activities					
Receipts from customers (inclusive of goods and services tax)		8,534	7,253	134	202
Payments to suppliers and employees (inclusive of goods and services tax)		(13,535)	(8,680)	(2,671)	(2,562)
Interest received		196	373	161	276
Other income received		217	396	-	-
Finance costs		(438)	(7)	-	-
Net cash flow used in operating activities	35	<u>(5,026)</u>	<u>(665)</u>	<u>(2,376)</u>	<u>(2,084)</u>
Cash flow from investing activities					
Payments for exploration, evaluation and development of mining properties		(760)	(3,405)	(248)	-
Payments for purchase of unrelated investments		-	(375)	-	(375)
Payments for plant and equipment		(1,457)	(1,471)	(2)	(41)
Proceeds from sale of plant and equipment		59	223	-	-
Proceeds from sale of controlled entity		188	-	188	-
Loans to controlled entities		-	-	(4,469)	(5,086)
Loans to other parties		(614)	(3,220)	-	-
Loans to other parties repaid		1	250	1	250
Payment for acquisition of business unit, net of cash acquired	31	-	(1,021)	-	-
Business unit acquisition - cash acquired		123	-	-	-
Payment for acquisition of increased subsidiary interest	23	(575)	-	-	-
Proceeds from the sale of unrelated investments		17	372	17	372
Rehabilitation security bond		-	(8)	-	-
Net cash flow used in investing activities		<u>(3,018)</u>	<u>(8,655)</u>	<u>(4,513)</u>	<u>(4,880)</u>
Cash flow from financing activities					
Proceeds from issue of shares	23	5,000	3,204	5,000	3,204
Payments for equity issue costs		(300)	(107)	(300)	(107)
Proceeds from borrowings		858	2,489	-	2,489
Repayment of borrowings		(174)	-	-	-
Net cash flow from financing activities		<u>5,384</u>	<u>5,586</u>	<u>4,700</u>	<u>5,586</u>
Net decrease in cash held					
Cash at the beginning of the financial year		(2,660)	(3,734)	(2,189)	(1,378)
Effects of exchange rate changes on cash and cash equivalents		639	438	(34)	159
Cash and cash equivalents held at the end of the financial year	8	<u>4,265</u>	<u>6,286</u>	<u>3,828</u>	<u>6,051</u>
Non-cash financing and investing activities	35				

The above cash flow statements should be read in conjunction with the accompanying notes.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Dwyka Resources Limited as an individual entity and the consolidated entity consisting of Dwyka Resources Limited and its subsidiaries.

(a) Basis of preparation of financial report

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Dwyka Resources Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dwyka Resources Limited ("Company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Dwyka Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the company.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Dwyka Resources Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale, where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, while interest revenue is measured on an effective interest rate basis. Amounts disclosed as revenue are net of returns and trade allowances. Revenue is recognised for the major business activities when the following specific recognition criteria are met:

Sales

Risks and rewards of the goods have passed to the buyer, which occurs on delivery.

Interest income

Time proportionate basis using the effective interest rate method.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Australian tax consolidation regime does not apply to the company because there are no Australian incorporated subsidiaries.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 29). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

1 Summary of significant accounting policies (continued)

(l) Inventories

Inventories, which include rough diamonds, finished goods and raw materials, are stated at the lower of cost and estimated net realisable value. Cost is determined on a first-in, first-out basis and comprises direct materials and direct labour. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is shown at cost and is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings	10-20 years
- Machinery	5-12 years
- Vehicles	3-5 years
- Furniture, fittings and equipment	3-8 years
- Leased machinery and vehicles	5-12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

(p) Exploration and evaluation expenditure

Exploration and evaluation costs include expenditure incurred in connection with the exploration for and the evaluation of economically recoverable mineral resources. These costs include costs of acquisition, exploration and appraisal costs and technical overheads directly associated with those projects.

The company's policy with respect to exploration and evaluation expenditure is to use the "area of interest" method. Under this method, exploration and evaluation costs are carried forward on the following basis:

- (i) Each area of interest is considered separately when deciding whether and to what extent to carry forward or write off exploration and evaluation costs;
- (ii) Exploration and evaluation costs related to an area of interest may be carried forward provided that rights to tenure of the area of interest are current and provided further that one of the following conditions are met:
 - such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
 - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.
- (iii) The carrying values of exploration and evaluation costs are reviewed by directors where results of exploration and/or evaluation of an area of interest are sufficiently advanced to permit a reasonable estimate of the costs expected to be recouped through successful development and exploitation of the area of interest or by its sale. Expenditure in excess of this estimate is written off to the profit and loss account in the year in which the review occurs;
- (iv) When development of an area of interest is complete and production commences, all exploration, evaluation and development costs carried forward as an asset (including the cost of extractive rights acquired) are transferred to mining properties. Development costs related to an area of interest are carried forward as an asset to the extent that they are expected to be recovered either through sale or successful exploitation; and
- (v) The carrying values of exploration, evaluation and development expenditure are carried forward and amortised over the expected useful life of each project.

(q) Mining properties

Mine properties represent the acquisition costs and/or accumulation of exploration, evaluation and development costs in respect of areas of interest in which mining has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit-of-production basis so as to write off the cost in proportion to the depletion of the proved and probable mineral resources.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Rehabilitation and restoration costs

The consolidated entity has obligations for site restoration related to its mining properties. The consolidated entity establishes restoration provisions for future mine closure costs when a legal or constructive obligation exists based on the present value of the future cash flows required to satisfy the obligations. Provisions expected to be utilised in the coming 12 months on areas with lives of less than one year are accounted for in the income statement of the consolidated entity. Provisions not expected to be utilised in the coming 12 months are added to the capital cost of the related mining assets in mine properties and amortised over the resource life. The provision is accreted to its future value over the resource life through a charge to borrowing costs.

Changes in the estimated cost of rehabilitation are applied on a prospective basis with an adjustment to capital cost.

(v) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

(ii) *Share-based payments*

Share-based compensation benefits are provided to employees via the Dwyka Resources Limited Share and Option Plan.

The fair value of shares and options granted under the Dwyka Resources Limited Employee Share and Option Plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares and/or options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the issue/exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the share/option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the shares and/or options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions regarding the employee loan recoverability and about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The value of shares issued to employees financed by way of a non recourse loan under the employee share scheme is recognised with a corresponding increase in equity when the company receives funds from either the employees repaying the loan or upon the loan termination. All shares issued under the plan with non recourse loans are considered, for accounting purposes, to be options.

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

(x) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(z) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 7 Financial Instruments: Disclosures*, Revised *AASB 101 Presentation of Financial Statements* and *AASB 2005-10 Amendments to Australia Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038] AASB 7, AASB 2005-10 and the revised AASB 101 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not effect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) *AASB-I 10 Interim Financial Reporting and Impairment* AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(iii) *AASB Interpretation 11 Group and Treasury Share Transactions* and *AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11* [AASB 2] AASB Interpretation 11 and AASB 2007-1 are applicable to annual reporting periods beginning on or after 1 March 2007. The Group has not adopted the standards early. AASB Interpretation 11 specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled. The amending standard is issued as a consequence of AASB Interpretation 11. This is consistent with the Group's existing accounting policies for share-based payments so will have no impact on the Group's or the parent entity's financial statements.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

1 Summary of significant accounting policies (continued)

(iv) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]*

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted the standards early. The amending standard is issued as a consequence of AASB 8 *Operating Segments*. AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the new standard is expected to have an impact on the Group's segment disclosures as segment information based on management reports are more detailed than those currently reported under AASB 114. Application of the standards will have no direct impact on the amounts or disclosures included in the parent entity's financial statements.

(v) AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*

AASB 2007-4 is applicable to annual reporting periods ending on or after 1 July 2007. The Group has not adopted the amendments early. The amendment is issued to delete the Australian specific financial report structure and reinstate the IFRS financial report structure. The amending standard provides accounting policy options, disclosure and presentation requirements which were previously restricted by the Australian Accounting Standards Board. Application of the amendments will have no direct impact on the amounts included in the Group's and the parent entity's financial statements as the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4. However, the new standard may have an impact on the disclosures included in the Group's and the parent entity's financial statements.

(vi) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

AASB 123 and AASB 2007-6 are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted the standards early. AASB 123 previously permitted choices between expensing all borrowing costs and capitalising those that were attributable to the acquisition, construction or production of a qualifying asset. The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised. This is consistent with the Group's existing accounting policies for borrowing costs on qualifying assets so will have no impact on the Group's or the parent entity's financial statements.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

2 Financial risk management and financial instruments

The Group's activities expose it predominantly to interest rate risk and credit risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks.

(a) Credit risk exposures

The credit risk on financial assets of the Group which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provision for doubtful debts.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

(b) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to South African rand, British pounds and the US dollar.

(c) Interest rate risk

The Group is exposed to fluctuations in interest rates. Interest rate risk is managed by maintaining a mix of floating rate deposits. Current interest bearing deposits have been secured on a fixed interest rate bases.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

3 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Income taxes*

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(ii) *Exploration, evaluation and mining properties*

The Group's main activity is exploration and evaluation for, and mining of minerals. The nature of mining and exploration activities are such that it requires interpretation of complex and difficult geological models in order to make an assessment of the size, shape, depth and quality of resources and their anticipated recoveries. The economic, geological and technical factors used to estimate mining viability may change from period to period. In addition exploration activities by their nature are inherently uncertain. Changes in all these factors can impact exploration and mining asset carrying values, provisions for rehabilitation and the recognition of deferred tax assets.

(iii) *Rehabilitation obligations*

The Group estimates the future removal costs of mine operations disturbances at the time of installation of the assets and commencement of operations. In most instances, removal of assets occurs some years into the future. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and asset specific discount rates to determine the present value of these cash flows.

(iv) *Recoverable amounts of investments and receivables*

The parent entity has funded its controlled entities operations via the provision of loan funds. The recoverable amount of these loans is subject to the performance of those subsidiaries being able to generate sufficient profits and reserves to repay these advances.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

4 Segment information

During the year the Group operated primarily in two geographical segments being Africa, where its main operations are mining and production of diamonds and exploration for diamonds and other minerals, and in India, where additional diamond exploration activities have been undertaken. The parent entity is based in Australia which is effectively the corporate office of the Group.

Although the consolidated entity operates in different areas of the globe it has the following 2 divisions organised by industry distinction. The mining division incorporates both hard rock and alluvial diamond mining and exploration for mineral resources; while the industrial division incorporates the production and sale of bricks and cement using waste material from mining operations as a source material.

	Australia		Africa		India		Inter-segment eliminations/unallocated		Consolidated	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
External sales	-	-	8,267	7,402	-	-	-	-	8,267	7,402
Total sales revenue	-	-	8,267	7,402	-	-	-	-	8,267	7,402
Other revenue	87	160	339	535	-	-	-	-	426	695
Inter-segment revenue	483	470	-	-	-	-	(483)	(470)	-	-
Total segment revenue	570	630	8,606	7,937	-	-	(483)	(470)	8,693	8,097
Unallocated revenue							196	373	196	373
Total revenue									8,889	8,470
Result										
Segment result	(2,513)	(6,575)	(17,804)	(7,816)	(330)	(2,147)	2,655	12,383	(17,992)	(4,155)
Unallocated revenue net of unallocated expenses									11	373
Loss before tax									(17,981)	(3,782)
Income tax benefit									1,621	168
Loss after tax									(16,360)	(3,614)
Assets										
Segment assets	25,367	17,562	14,420	19,349	22	96	(21,243)	(12,007)	18,566	25,000
Unallocated assets									-	-
Total assets									18,566	25,000

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

4 Segment information (continued)

	Australia		Africa		India		Inter-segment eliminations/unallocated		Consolidated	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Liabilities										
Segment liabilities	426	262	31,459	22,588	3,184	3,220	(25,945)	(21,762)	9,122	4,308
Unallocated liabilities									2,249	2,183
Total liabilities									11,371	6,491
Acquisition of property plant and equipment and other non-current segment assets	2	41	12,198	8,571	-	-	-	-	12,200	8,612
Loan to associate	-	-	-	4,536	-	-	-	-	-	4,536
Other non-cash expenses	-	-	-	-	-	-	469	428	469	428
Depreciation and amortisation expense	43	48	854	439	-	-	-	-	897	487
Impairment of assets										
- related party loans	-	5,867	-	7,137	-	-	-	(13,004)	-	-
- plant and equipment	-	-	3,319	-	-	-	-	-	3,319	-
- other investments	-	-	24	-	-	-	-	-	24	-
- Non- current receivables	-	-	-	3	-	-	-	-	-	3
- exploration and evaluation and mining properties	-	-	7,064	-	316	2,130	-	-	7,380	2,130

Secondary reporting format – Business segments

	Segment revenues from sales to external customers		Segment assets		Acquisition of property plant and equipment and other non-current segment assets	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Mining	2,706	2,189	12,046	11,894	5,264	10,357
Industrial	5,561	5,213	1,785	1,845	6,933	125
	8,267	7,402	13,831	13,739	12,197	10,482
Unallocated assets			4,735	11,261		
Total assets			18,566	25,000		

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

5 Revenue

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Revenue				
Sale of goods	8,267	7,402	-	-
Other revenue				
Interest received	196	373	161	276
Foreign exchange gains	87	160	87	160
Management fees	-	-	483	470
Profit on sale of plant and equipment	57	-	-	-
Other revenue	282	535	26	-
	622	1,068	757	906
	8,889	8,470	757	906

6 Expenses

Loss before income tax expense includes the following specific expenses:

Cost of sales includes the following expenses:

Depreciation of plant and equipment	627	408	-	-
Rehabilitation expenses	-	130	-	-
	-	130	-	-

Other charges against assets:

Impairment of assets	24	3	-	-
Impairment of plant and equipment	3,319	-	-	-
Impairment of related company loans	-	-	(82)	4,400
Impairment of exploration expenditure and mineral properties, including write off of current year exploration	7,380	2,130	248	-
	7,380	2,130	248	-

Administration includes the following:

Bad and doubtful debts expense	398	105	-	-
Consulting expenses	940	982	739	754
Depreciation of buildings, plant and equipment	270	79	43	48
Directors fees	200	195	200	195
Employee benefits expense	1,722	1,931	357	192
Legal fees	272	68	262	35
Loss on sale of plant and equipment	-	6	-	-
Rental expenses related to operating leases	86	113	60	58
Share based compensation	469	428	469	428
	469	428	469	428

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

7 Income tax

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Income statement				
<i>Current income tax</i>				
Current income tax charge	-	-	-	-
<i>Deferred income tax</i>				
Increase/(decrease) in deferred tax liability (Note 22)	(1,621)	(168)	(20)	(28)
Temporary differences and tax losses not recognised	-	-	-	-
Income tax benefit reported in income statement	(1,621)	(168)	(20)	(28)
Amounts recognised directly in equity				
<i>Deferred tax expense</i>				
Share issue costs	(23)	(49)	(23)	(49)
Available-for-sale financial assets	43	(17)	43	(17)
Convertible note	-	94	-	94
Income tax benefit reported in equity	20	28	20	28
Unrecognised deferred tax balances				
Unrecognised deferred tax assets – Losses	3,404	1,995	695	252
Unrecognised deferred tax assets - Capital Losses	431	431	431	431
Unrecognised deferred tax assets – Temporary differences	1,549	-	4,333	4,945
Net unrecognised deferred tax assets	5,384	2,426	5,459	5,628

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

7 Income tax (continued)

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Reconciliation to income tax expense on accounting loss				
Loss from ordinary activities before income tax expense	(17,981)	(3,782)	(2,786)	(6,326)
Income tax benefit @ 30% (2006: 30%)	(5,394)	(1,135)	(836)	(1,898)
Difference in overseas tax rates	46	-	-	-
Tax effect on amounts which are not deductible				
Share-based payments	141	128	141	128
Foreign expenditure	510	483	510	1,046
Non-deductible provisions	-	-	-	754
Impairment of exploration/mine property	282	-	-	-
Sundry items	148	(17)	89	(41)
	(4,267)	(541)	(96)	(11)
Prior year revenue losses recouped not previously recognised	-	(17)	-	(17)
Benefit of tax losses and temporary differences not brought to account	2,646	390	76	-
Income tax benefit	(1,621)	(168)	(20)	(28)

The Australian tax consolidation regime does not apply for the company.

8 Current assets - Cash and cash equivalents

Cash at bank and on hand	541	9	104	6
Deposits at call	3,121	3,740	3,121	3,508
Term deposits	603	2,537	603	2,537
	4,265	6,286	3,828	6,051

Interest earned from cash accounts and deposits ranged from 0% to 6.10% per annum (2006: 0% - 5.60%). The term deposits have an average maturity of 30 days.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

9 Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Trade debtors	869	928	-	-
Less provision for impairment of receivables	(240)	(130)	-	-
	629	798	-	-
Loans to related parties (refer note 30)	-	-	28,654	24,596
Less impairment of loans to related parties	-	-	(11,834)	(11,915)
	-	-	16,820	12,681
GST/VAT refund	154	94	68	54
Loans to other parties	-	71	-	2
Other debtors	32	14	8	-
	815	977	16,896	12,737

Trade debtors are denominated and receivable in South African Rand (ZAR) and are non interest bearing.

The loans to related parties have been disposed of since the financial year end in exchange for shares in a company that has become, since the end of the financial year a controlled entity.

Other debtors generally arise from transactions outside the usual operating activities of the Group and are non-interest bearing. GST/VAT refunds are non-interest bearing.

The Group has recognised a loss of \$398,000 (2006: \$105,000) in respect of bad and doubtful trade receivables during the year. The loss has been included in 'administration expenses' in the income statement.

10 Current assets - Inventories

Raw materials, at cost	125	130	-	-
Finished goods, at cost	161	117	-	-
Rough diamonds, at net realisable value	170	237	-	-
	456	484	-	-

Inventories recognised in cost of sales amounted to \$3,590,000 (2006: \$2,784,000).

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

11 Non-current assets – Receivables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Non-current				
Loan to associate	-	4,536	-	-
Loans to related parties (refer note 30)	-	-	102	-
Less impairment of loans to related parties	-	-	-	-
	-	4,536	102	-

Loans to related parties are carried at their net recoverable amount and are non-interest bearing.

12 Non-current assets - Other financial assets

Available-for-sale financial assets

Opening balance	103	76	103	76
Additions	-	375	-	375
Disposals	(16)	(372)	(16)	(372)
Revaluation charged to equity	146	24	146	24
	233	103	233	103

Other (non traded investments)

Shares in other corporations				
- controlled entities, at cost	-	-	7,030	4,581
- less impairment of investment	-	-	(2,821)	(4,581)
- other entities	21	21	21	21
- less impairment of investment	(21)	(21)	(21)	(21)
	-	-	4,209	-
Closing balance	233	103	4,442	103

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

13 Non-current assets - Property, plant and equipment

Consolidated

	Freehold land & buildings \$000	Plant & equipment \$000	Leased assets \$000	Total \$000
At 1 July 2005				
Cost	205	4,656	-	4,861
Accumulated depreciation	(17)	(3,071)	-	(3,088)
Net book amount	188	1,585	-	1,773
Year ended 30 June 2006				
Opening net book amount	188	1,585	-	1,773
Additions	5	1,001	465	1,471
Acquisition of subsidiaries	-	818	-	818
Disposals	-	(229)	-	(229)
Exchange differences	(6)	257	-	251
Depreciation charge	(12)	(475)	-	(487)
Closing net book	175	2,957	465	3,597
At 30 June 2006				
Cost	200	5,547	465	6,212
Accumulated depreciation	(25)	(2,590)	-	(2,615)
Net book amount	175	2,957	465	3,597
Year ended 30 June 2007				
Opening net book amount	175	2,957	465	3,597
Additions	5	847	605	1,457
Acquisition of subsidiaries	-	6,428	-	6,428
Disposals	(38)	(2)	-	(40)
Impairment charge	-	(3,319)	-	(3,319)
Exchange differences	(22)	(1,195)	(81)	(1,298)
Depreciation charge	(14)	(796)	(87)	(897)
Closing net book	106	4,920	902	5,928
At 30 June 2007				
Cost	145	8,306	989	9,440
Accumulated depreciation	(39)	(3,386)	(87)	(3,512)
Net book amount	106	4,920	902	5,928

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

13 Non-current assets - Property, plant and equipment (continued)

Parent

	Freehold land & buildings \$000	Plant & equipment \$000	Leased assets \$000	Total \$000
At 1 July 2005				
Cost	-	296	-	296
Accumulated depreciation	-	(149)	-	(149)
Net book amount	-	147	-	147
Year ended 30 June 2006				
Opening net book amount	-	147	-	147
Additions	-	40	-	40
Depreciation charge	-	(48)	-	(48)
Closing net book	-	139	-	139
At 30 June 2006				
Cost	-	262	-	262
Accumulated depreciation	-	(123)	-	(123)
Net book amount	-	139	-	139
Year ended 30 June 2007				
Opening net book amount	-	139	-	139
Additions	-	2	-	2
Depreciation charge	-	(43)	-	(43)
Closing net book	-	98	-	98
At 30 June 2007				
Cost	-	264	-	264
Accumulated depreciation	-	(166)	-	(166)
Net book amount	-	98	-	98

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

14 Non-current assets - Exploration, evaluation and mining properties

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Exploration and evaluation costs	18,504	14,688	-	-
Impairment charges	(12,825)	(9,835)	-	-
	<u>5,679</u>	<u>4,853</u>	-	-
Mining properties	15,560	14,442	-	-
Impairment charges	(14,411)	(10,337)	-	-
Accumulated amortisation	(249)	(249)	-	-
	<u>900</u>	<u>3,856</u>	-	-
	<u>6,579</u>	<u>8,709</u>	-	-

Reconciliations of the carrying amount of exploration, evaluation and mining properties at the beginning and end of the current and previous financial year:

Exploration and evaluation costs

Opening balance	4,853	1,092	-	-
Exploration and evaluation costs incurred during the year	392	1,933	248	-
Expenditure written off	(316)	(2,130)	(248)	-
Exploration property acquired during the year	4,209	4,629	-	-
Impairment charge	(2,990)	-	-	-
Exchange translations	(469)	(671)	-	-
Closing balance	<u>5,679</u>	<u>4,853</u>	-	-

Mining properties

Opening balance	3,856	-	-	-
Mine property acquired during the year	1,344	2,370	-	-
Mine development incurred	369	1,774	-	-
Expenditure written off	(369)	-	-	-
Impairment charge	(4,074)	-	-	-
Exchange translations	(226)	(288)	-	-
Closing balance	<u>900</u>	<u>3,856</u>	-	-

Ultimate recoupment of costs carried forward for mining properties, exploration and evaluation is dependent upon:

- continuance of the company's rights to tenure of the areas of interest;
- results of future exploration; and
- recoupment of costs through successful development and commercial exploitation, or alternatively by sale of the respective areas.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

15 Non-current assets - Other

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Term deposit	290	308	-	-
Goodwill on consolidation	-	199	-	-
Impairment charge	-	(199)	-	-
	-	-	-	-
	290	308	-	-

The term deposits are held as security for bank guarantees in favour of the Department of Minerals and South African Mineral Authorities pursuant to conditions for the granting of mining leases.

16 Deferred tax asset

The balance comprises temporary differences attributable to:

Amounts recognised in profit and loss:

Accruals	23	21	23	13
Receivables from related companies	-	150	123	18
Tax losses*	810	-	-	-
	833	171	146	31

Amounts recognised directly in equity:

Available-for-sale financial assets	-	17	-	17
Equity issue costs	-	49	-	49
	-	66	-	66
	833	237	146	97
Set-off against deferred tax liabilities (note 22)	(833)	(237)	(146)	(97)
	-	-	-	-

*The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

17 Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Trade payables	2,145	1,561	289	169
Other payables	2,315	88	128	88
	4,460	1,649	417	257
	4,460	1,649	417	257

Trade creditors are non-interest bearing and are normally settled on 30 day terms. Other creditors are non-interest bearing and are settled on an at-call basis. Of the other payables \$1,974,000 was settled by the issue of shares subsequent to the year end.

18 Current liabilities - Borrowings

Secured				
Lease liabilities	200	76	-	-
	200	76	-	-
Unsecured				
Convertible note	2,249	-	2,249	-
	2,249	-	2,249	-
	2,449	76	2,249	-

Refer to note 20 for details of the lease liability security arrangements

The parent entity issued 1,000 8% convertible notes for GBP1 million on 22 June 2006. The notes were convertible into parent entity shares at the option of the holder, or repayable on 23 June 2010. Since the end of the financial year these notes have been converted into ordinary shares of the parent entity based on a conversion price of GBP0.36.

19 Current liabilities - Provisions

Rehabilitation costs– opening balance	220	397	-	-
- utilised during year	-	(289)	-	-
- exchange differences	(15)	(18)	-	-
- provision for year	-	130	-	-
Balance at end of year	205	220	-	-
Employee benefits	7	29	7	5
	212	249	7	5
	212	249	7	5

The current rehabilitation provision relates to ongoing rehabilitation requirements associated with the alluvial diaming mining operations. Utilisation of this provision during the year was not required as the alluvial operations were placed on care and maintenance.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

20 Non-current liabilities – Borrowings

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Secured				
Secured loan*	2,836	-	-	-
Lease liabilities	781	428	-	-
	3,617	428	-	-
Unsecured				
Convertible notes	-	2,183	-	2,183
Other loans	412	-	-	-
	412	2,183	-	2,183
	4,029	2,611	-	2,183

* The Group has a fully drawn advance which is secured against the SMI4 plant and equipment, the book value of which is equal to the advance. This advance attracts a 13.35% interest rate.

The lease liabilities are South African Rand denominated and bear interest at an average interest rate of 11.83% (2006: 9.5%) per annum. They are secured by moveable assets with a book value of \$902,000 (2006: \$465,000). The other loans are not interest bearing.

21 Non-current liabilities - Provisions

Rehabilitation costs– opening balance	305	97	-	-
- provision acquired on purchase of subsidiaries during year	-	216	-	-
- provision disposed on sale of subsidiary during year	(73)	-	-	-
- finance costs	15	25	-	-
- exchange differences	(26)	(33)	-	-
Balance at end of year	221	305	-	-

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

22 Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<i>Amounts recognised in profit and loss:</i>				
Cash assets	26	3	26	3
Exploration, evaluation and mining properties	687	1,741	-	-
	713	1,744	26	3
<i>Amounts recognised directly in equity:</i>				
Convertible note	94	94	94	94
Available-for-sale financial assets (note 24)	26	-	26	-
	833	1,838	146	97
Set-off against deferred tax assets (note 16)	(833)	(237)	(146)	(97)
	-	1,601	-	-
Movements				
Opening balance 1 July 2006	1,601	-	-	-
(Credited)/debited in income statement	(1,621)	(168)	(20)	(28)
Charged to equity	20	28	20	28
Acquisition of subsidiaries	-	1,984	-	-
Exchange differences	-	(243)	-	-
Closing balance	-	1,601	-	-
Deferred tax liabilities to be settled within 12 months				
	3	(92)	3	(9)
Deferred tax liabilities to be settled after 12 months				
	(3)	1,693	(3)	9
	-	1,601	-	-

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

23 Contributed equity

(a) Share capital	Consolidated and Parent entity		Consolidated and Parent entity	
	2007 Shares	2006 Shares	2007 \$000	2006 \$000
Ordinary shares				
Ordinary shares fully paid	111,579,270	85,737,134	65,580	56,693
Employee share plan shares	8,000,001	7,000,001	-	-
Total contributed equity	119,579,271	92,737,135	65,580	56,693

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$000
1 July 2005	Opening balance	77,706,862		50,726
1 September 2005	Mine purchase consideration	2,747,802	GBP0.35 (A\$0.84)	2,308
4 November 2005	Placement	4,500,000	GBP0.30 (\$A0.72)	3,187
22 December 2005	Placement in lieu of services rendered	749,137	A\$0.69	513
8 March 2006	Employee share plan loan repaid –proceeds received	33,333	\$A0.52	17
	Less: issue transactions costs	-		(107)
	Deferred tax credit recognised directly in equity	-		49
30 June 2006	Balance	85,737,134		56,693

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

23 Contributed equity (continued)

(b) Movements in ordinary share capital (continued):

Date	Details	Notes	Number of shares	Issue price	\$000
1 July 2006	Opening balance		85,737,134		56,693
2 February 2007	Acquisition of subsidiary		6,475,343	\$0.45*	2,914
1 March 2007	Further consideration for acquisition of subsidiary		3,237,671	\$0.40	1,295
19 March 2007	Share purchase plan and placement		16,129,122	\$0.31	5,000
	Less: issue transactions costs		-		(345)
	Deferred tax credit recognised directly in equity		-		23
30 June 2007	Balance		<u>111,579,270</u>		<u>65,580</u>

* An issue price of \$0.40 was used to calculate the number of shares that formed part of the consideration, however the market price on the date of issue (\$0.45) has been used to calculate the issue price for accounting purposes in accordance with AASB3.

(c) Movement in Employee Share Plan shares issued with limited recourse employee loans:

1 July 2005	Opening Balance	2,733,334	
21 December 2005	Employee Share Plan issue	750,000	\$0.87
21 December 2005	Employee Share Plan issue	3,350,000	\$1.00
8 March 2006	Employee share plan loan repaid – shares transferred to ordinary share capital	(33,333)	\$0.52
6 April 2006	Employee Share Plan issue	<u>200,000</u>	\$1.00
30 June 2006	Balance	7,000,001	
1 December 2006	Employee Share Plan issue	<u>1,000,000</u>	\$1.00
30 June 2007	Balance	<u>8,000,001</u>	

The weighted average issue price of issued employee share plans shares is \$0.83. Refer to note 37 for details of the employee share plan.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

23 Contributed equity (continued)

(d) Share options

	Number of options	
	2007	2006
Employee option plan options (refer note 37)		
- at \$0.52 per share on or before 30 June 2007	-	1,100,000
- at \$0.87 per share on or before 30 June 2009	-	250,000
- at \$1.00 per share on or before 30 June 2009	1,000,000	1,250,000
- at \$0.52 per share on or before 30 June 2010	950,000	-
	1,950,000	2,600,000

As at year end the Company had an obligation to issue 500,000 options exercisable at \$0.31 to Montague Stockbrokers Pty Ltd as part consideration for underwriting the Company's March 2007 share purchase plan/placement issue. Approval to issue these options was received from shareholders on 20 September 2007.

(e) Movements in share options

To acquire ordinary fully paid shares at \$1.47 on or before 30 June 2006:		
Beginning of the financial year	-	2,000,000
Options expired	-	(2,000,000)
	-	-
Balance at end of financial year	-	-

Refer to note 37 for movements in the employee option plan including details of options issued, exercised, and cancelled during the year and options outstanding at the end of the financial year.

(f) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(g) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 37.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

24 Reserves

Movements in reserves during the year were:

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<i>Available-for-sale investments revaluation reserve</i>				
Balance 1 July	(41)	-	(41)	-
Adjustment on adoption of AASB 132 and AASB 139	-	(82)	-	(82)
Revaluation	146	24	146	24
Deferred tax	(43)	17	(43)	17
Balance 30 June	62	(41)	62	(41)
<i>Share-based payments reserve</i>				
Balance 1 July	947	519	947	519
Costs charged to equity	45	-	45	-
Expense for the year	469	428	469	428
Balance 30 June	1,461	947	1,461	947
<i>Foreign currency translation reserve</i>				
Balance 1 July	682	394	-	-
Currency translation differences	(3,205)	288	-	-
Balance 30 June	(2,523)	682	-	-
<i>Convertible note premium reserve</i>				
Balance 1 July	219	-	219	-
Premium on convertible note issue	-	219	-	219
Balance 30 June	219	219	219	219
<i>Increased equity in subsidiary reserve</i>				
Balance 1 July	-	-	-	-
Consideration paid on restructure of holding in subsidiary	(575)	-	-	-
Balance 30 June	(575)	-	-	-
<i>Deferred share issue reserve</i>				
Balance 1 July	629	-	629	-
Deferred share issue on acquisition	-	629	-	629
Transferred to current liability	(629)	-	(629)	-
Balance 30 June	-	629	-	629
Total 30 June	(1,356)	2,436	1,742	1,754

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

24 Reserves (continued)

Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of employee share plan shares issued with an attaching limited recourse employee loan; and employee option plan options issued but not exercised.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

(iv) Convertible note premium reserve

The value of the conversion rights attaching to the convertible notes issued by the Company, net of tax has been taken to this reserve.

(v) Increased equity in subsidiary reserve

The cost of increasing the Group's equity in an existing subsidiary has been debited to this reserve.

(vi) Deferred share issue reserve

In the year ended 30 June 2006 the Group acquired a new business unit (refer Note 31). A portion of the consideration consisted of a deferred share issue. As the shares which related to this reserve were issued in July 2007 this reserve has been transferred from this reserve.

25 Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Balance at beginning of year	(40,669)	(37,070)	(41,863)	(35,647)
Adjustment on adoption of AASB 132 and AASB 139, net of tax	-	82	-	82
Net loss attributable to members of Dwyka Resources Limited	(16,360)	(3,681)	(2,766)	(6,298)
Balance at end of financial year	(57,029)	(40,669)	(44,629)	(41,863)

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

26 Minority interest

	Consolidated	
	2007	2006
	\$000	\$000
Outside equity interest comprises:		
Reserves	91	91
Accumulated losses	(91)	(42)
	<hr/>	<hr/>
	-	49
	<hr/>	<hr/>

The parent entity bears the responsibility for the minority interest's share of outgoings resulting from accumulated losses in excess of reserves.

27 Key management personnel disclosures

(a) Directors

The following persons were directors of Dwyka Resources Limited during the financial year:

(i) Chairman

E Nealon

(ii) Executive directors

M Sturgess, Chief Executive Officer from April 2007

M Langoulant, Chief Financial Officer

C Bredenkamp, until his resignation in December 2006

(iii) Non-executive directors

A Griffin, Chief Executive Officer until April 2007

T McConnachie

E Kirby

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
C Bredenkamp	Managing Director – South Africa

All of the above persons were also key management persons for the year ended 30 June 2006. In addition G Button was considered part of key management personnel for the year ended 30 June 2006 only.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

27 Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	825,103	981,127	675,579	796,486
Post-employment benefits	28,575	21,966	28,575	21,966
Share-based payments	397,275	341,860	341,768	318,396
	1,250,953	1,344,953	1,045,922	1,136,848

The Company has taken advantage of the relief provided by Corporations Regulation CR2M.604 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report.

(d) Equity instruments disclosure relating to key management personnel

(i) Shares and options provided as remuneration and shares issued on exercise of such options

Details of shares and options provided as remuneration, and of shares issued on the exercise of such options, together with the terms and conditions of the shares and options, can be found in section D of the remuneration report.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Dwyka Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2007	Balance at	Granted	Cancelled	Balance at	Vested and
Name	the start of	during the	during	the end of	exercisable at the
	the year	year	year	the year	end of the year
Directors of Dwyka Resources Limited					
M Sturgess	-	-	-	-	-
E Nealon	-	-	-	-	-
E Kirby	-	-	-	-	-
A Griffin	-	-	-	-	-
T McConnachie	-	-	-	-	-
M Langoulant	-	-	-	-	-
Other key management personnel of the Group					
C Bredenkamp	750,000	250,000	(250,000)	750,000	133,333
2006					
Directors of Dwyka Resources Limited					
M Sturgess	-	-	-	-	-
E Nealon	-	-	-	-	-
E Kirby	-	-	-	-	-
A Griffin	-	-	-	-	-
C Bredenkamp	250,000	500,000	-	750,000	166,667
M Langoulant	-	-	-	-	-
Other key management personnel of the Group					
G Button	-	-	-	-	-

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

27 Key management personnel disclosures (continued)

(d) Equity instruments disclosure relating to key management personnel (continued)

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Dwyka Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2007

Name	Balance at the start of the year	Movement during the year	Balance at the end of the year
Directors of Dwyka Resources Limited			
Ordinary shares			
M Sturgess	2,002,500	67,355	2,069,855
E Nealon	2,000,000	64,129	2,064,129
E Kirby	1,000,000	16,129	1,016,129
A Griffin	-	1,005,000	1,005,000
T McConnachie	-	-	-
M Langoulant	1,000,000	16,129	1,016,129
Other key management personnel of the Group			
Ordinary shares			
C Bredenkamp	12,660	-	12,660

2006

Name	Balance at the start of the year	Movement during the year	Balance at the end of the year
Directors of Dwyka Resources Limited			
Ordinary shares			
M Sturgess	1,002,500	1,000,000	2,002,500
E Nealon	1,000,000	1,000,000	2,000,000
E Kirby	250,000	750,000	1,000,000
C Bredenkamp	12,660	-	12,660
M Langoulant	-	1,000,000	1,000,000
Other key management personnel of the Group			
Ordinary shares			
G Button	350,000	-	350,000

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

28 Remuneration of auditors

	Consolidated 2007	2006	Parent entity 2007	2006
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the Group:				
Auditor of the parent entity				
- Australian firm	110,300	85,600	110,300	54,800
- Related practices of Australian firm	93,078	20,975	6,907	-
- Other firms	7,737	2,677	4,423	-
	211,115	109,252	121,630	54,800
Remuneration for other services:	-	-	-	-

29 Contingencies/Commitments

(a) Contingent liabilities

The parent entity and Group had no known contingent liabilities as at 30 June 2007 (2006: Nil).

(b) Contingent assets

The parent entity and Group had no known contingent assets as at 30 June 2007 (2006: Nil).

(c) Commitments

(i) In February 2007 the Company completed an agreement whereby it acquired 100% of Danyland Limited by issuing 9,713,014 ordinary Dwyka shares. Danyland owns the Burundi Muremera nickel project. A further agreement was entered into with BHP World Exploration Inc whereby they have the right to earn up to 50% of Danyland by the expenditure of US\$5,000,000. In accordance these agreements, the Group has potential commitments both to issue further shares to the original vendors of Danyland and to issue shares in Danyland to BHP. These potential commitments are:

Potential Dwyka shares to be issued	BHP expenditure hurdle	BHP's share in Danyland
2,158,447	US\$1,200,000	10%
2,158,447	US\$2,000,000	30%
2,158,448	US\$2,000,000	50%

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

29 Contingencies/Commitments (continued)

(ii) In February 2007 the Company entered into a Memorandum of Understanding (MoU) to acquire a shareholding in Swazi Gold Ventures (Pty) Ltd (SGV). This MoU was converted to an agreement which was completed in July 2007. Under this MoU the Company at 30 June 2007 had a commitment (upon finalisation of the transaction) to issue 3,962,757 ordinary shares plus a cash payment of US\$200,000 to acquire an initial 50% of SGV. In addition subject to exploration expenditure hurdles the Group has the right to increase its interest in SGV and potential cash and share issue commitments as follows:

Interest in SGV	Date and/or expenditure hurdle	Further consideration
70%	US\$750,000 by 30 June 2008	Payment of US\$200,000 plus Dwyka shares to the value of US1,000,000
85%	30 June 2009	Payment of US\$400,000 plus Dwyka shares to the value of US1,000,000
100%	At any time between 30 June 2009 and 30 June 2011 plus funding to bankable feasibility	Dwyka shares to the value of US\$3,000,000

(iii) The Group has an exploration commitment with a De Beers subsidiary to expend \$US1.5 million in the period to September 2008 upon exploration of the Tanzanian exploration tenements. This commitment can be reduced with approval of De Beers upon the acceptance of alternative exploration proposals. Expenditure programmes in relation to this commitment have been approved and commenced. The Company expects to have expended this amount within the required time frame.

(iv) The Group leases various plant and equipment with a carrying amount of \$902,000 under finance leases with varying expiry dates. These leases are denominated in South African Rand.

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Commitments in relation to finance lease are payable as follows:				
Within one year	200	130	-	-
Later than one year but no later than 5 years	753	374	-	-
Later than 5 years	28	-	-	-
Minimum lease payments	981	504	-	-
Represented by				
Current (note 18)	200	76	-	-
Non-current (note 20)	781	428	-	-
	981	504	-	-

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

30 Related party transactions

(a) Parent entity

The ultimate parent entity in the wholly-owned group and the ultimate Australian parent entity is Dwyka Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 27.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Parent entity	
	2007	2006
	\$	\$
Loans advanced to controlled entities		
Opening balance	12,679,507	6,312,908
- management fee charged to controlled entities	482,758	470,074
- cash advances to controlled entities	4,469,215	5,153,767
- parent company shares issued on behalf of a controlled entity as part consideration to acquire a business unit	-	2,308,154
- deferred share consideration reserve	(629,496)	629,496
- loan recovered on sale of a controlled entity	(161,848)	-
- transfer of loans to parent company on members voluntary liquidation of controlled entity	-	1,692,902
- parent company shares issued on behalf of a controlled entity in lieu of services	-	513,159
- (increase)/decrease in provision for loss on loans to related parties	82,231	(4,400,953)
Closing balance	16,922,367	12,679,507
Loans received from controlled entities		
Opening balance	-	(709,695)
- loan repaid on liquidation of controlled entity	-	777,320
- cash advances from controlled entities	-	(67,625)
Closing balance	-	-
Loans advanced to associate		
Opening balance	4,536,420	1,316,698
- cash advances to associate	613,780	3,219,722
- transferred loan to controlled entity on change from associate to controlled entity	(5,150,200)	-
Closing balance	-	4,536,420

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

30 Related party transactions (continued)

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Non-current loans advanced by Dwyka to controlled entities	<u>16,922,367</u>	<u>12,679,507</u>
Non-current loans advanced by Dwyka to associates	<u>-</u>	<u>4,536,420</u>

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

31 Business combination

Year ended 30 June 2007

Effective from 1 October 2006 the Group completed a Black Economic Empowerment (BEE) transaction with its BEE partner - Kolong Investments Limited. This transaction was entered into to ensure all South African operations were classified as BEE compliant under South African law. The transaction resulted in Dwyka

- increasing its holding in Superkolong Pty Ltd, the owner and operator of the De Beers Tailings treatment plant and equipment, from 40% to 70%; and
- reducing its interest in the Dwyka Resources industrial business and its various mining assets from 100% to 70%.

The initial 40% ownership interest in Superkolong Pty Ltd was acquired on incorporation of the company for nominal value.

The results of Superkolong Pty Ltd are incorporated into the results of the Group as from 1 October 2006. This company contributed \$1,248,000 in revenues and a net loss of \$5,958,000. If the acquisition had occurred on 1 July 2006, the consolidated revenue and consolidated loss for the half year would have been \$1,432,000 and \$6,681,000 respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	AUD \$000
Purchase consideration:	
Cash paid	347
Deferred cash consideration	205
Share of subsidiaries net liabilities disposed	-
Allocated to Biz Africa net assets position	(347)
Total purchase consideration on acquisition of Superkolong	205
Fair value of net identifiable liabilities acquired (refer below)	(715)
Goodwill	920

In the event that the Group does not pay Kolong Investments Limited a ZAR 500,000 dividend for each of the 30 June 2008, 30 June 2009, and 30 June 2010 periods, the Group shall make a contingent cash payment to Kolong Investments Limited for the difference between the actual dividend paid and ZAR 500,000. At the date of this report, the payment of dividends is not probable and future cash payments have been recognised as deferred cash payments.

Goodwill represents future income streams to flow from the DBTR plant, which was fully written off as at 30 June 2007.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

31 Business combination (continued)

The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

The assets and liabilities arising from the acquisition are as follows :

	Carrying amount \$000	Fair value \$000
Cash and cash equivalents	124	124
Trade and other receivables	569	569
Plant and equipment	6,428	6,428
Trade and other payables	(75)	(75)
Non-current payables – unsecured	(4,776)	(4,776)
Non-current payables –secured	(2,985)	(2,985)
Net identifiable liabilities acquired	(715)	(715)

Year ended 30 June 2006

On 1 September 2005 the parent entity effected the acquisition of 100% of the issued share capital of Kophia Diamonds Pty Ltd and Bellsbank Mining Number One Pty Ltd. These entities were acquired as a single business acquisition transaction.

Together these companies own 3 underground mines in South Africa. The consideration for this purchase is the issue of 2,747,802 shares and the payment of ZAR5 million to the vendors of the companies. This acquisition incorporates the provision of future services to the company by the vendors and includes operational targets for the mines acquired.

The acquired business contributed revenues of \$1,044,983 and a net profit of \$1,987 to the Group for the period from 1 October 2005 to 30 June 2006. If the acquisition had occurred on 1 July 2005, the acquired business would have contributed revenues of \$1,044,983 and a net loss of \$69,377 to the Group.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	AUD \$000
Purchase consideration:	
Cash paid (ZAR5 million)	1,021
Parent company shares (valued at the market price of those shares as at the date of acquisition)	2,308
Deferred issue of Parent company shares (valued at the market price of those shares as at the date of acquisition)	629
Total purchase consideration	3,958
Fair value of net identifiable assets acquired	3,958
Goodwill	-

At the date of acquisition it was considered probable that at least a further 749,400 parent company shares will be issued as additional consideration for the acquisition. This deferred share issue has been valued at the market price of those shares as at the date of acquisition. Further in the event that certain pre-determined mine performance hurdles are achieved by the subsidiary, additional consideration in the form of shares and options may be payable.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

31 Business combination (continued)

The assets and liabilities arising from the acquisition are as follows:

	Carrying amount	Fair Value
	\$000	\$000
Receivables	211	211
Inventories	345	345
Plant and equipment	818	818
Exploration	-	4,630
Mine property/development	170	2,370
Deferred tax asset	149	-
Trade payables	(45)	(45)
Deferred tax liability	-	(1,984)
Rehabilitation provision	-	(216)
Non-current payables	(776)	(776)
Non-current loans from vendors	(1,395)	(1,395)
Net identifiable assets acquired	(523)	3,958

32 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1(a):

Name of entity	Country of incorporation	Class of shares	Equity holding %	
			2007	2006
Supermix Mining	South Africa	Ordinary	70	100
Biz Afrika 546	South Africa	Ordinary	70	70
Basfour 254	South Africa	Ordinary	70	70
JJS & L Mining	South Africa	Ordinary	100	100
Diamantrif Delwery	South Africa	Ordinary	-	100
Dwyka Resources South Africa	South Africa	Ordinary	70	100
Kophia Diamonds	South Africa	Ordinary	70	100
Bellsbank Mining Number One	South Africa	Ordinary	70	100
Kohinoor Mining International	Mauritius	Ordinary	100	100
Dwyka Resources Holdings	Mauritius	Ordinary	70	100
Huntingdale Investments	Mauritius	Ordinary	100	100
Karringyup Holdings	Mauritius	Ordinary	100	100
Troon Investments	Mauritius	Ordinary	100	100
Tralee Investments	Mauritius	Ordinary	100	100
AMIL Mining India	India	Ordinary	100	100
Diamix	United Kingdom	Ordinary	-	100
Dwyka Alsami	Tanzania	Ordinary	100	100
Dwyka Tanzania	Tanzania	Ordinary	95	95
Superkolong Holdings*	South Africa	Ordinary	70	-
Superkolong	South Africa	Ordinary	70	40
Superkolong Cement*	South Africa	Ordinary	70	-
Superkolong Industrial*	South Africa	Ordinary	70	-
Superkolong Bricks*	South Africa	Ordinary	70	-
Danyland Limited	British Virgin Islands	Ordinary	100	-

* Incorporated during the financial year ended 30 June 2007.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

33 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name	Principal activity	Ownership interest		Consolidated		Parent entity	
		2007	2006	2007	2006	2007	2006
		%	%	\$000	\$000	\$000	\$000
Superkolong (unlisted)	Diamond tailings processing	-	40	-	-	-	-

In the year to 30 June 2006 the associate, Superkolong Pty Ltd, secured a processing agreement with De Beers and was constructing a diamond tailings re-treatment plant. This plant was at the early commissioning stage as at 30 June 2006. During the year ended 30 June 2007 the Group increased its equity in this company to 70%. The assets and liabilities of Superkolong Pty Ltd form part of the consolidated financial information as at 30 June 2007.

34 Events occurring after the balance sheet date

Since the end of the financial year the Group has:

- extinguished in full the GBP1,000,000 convertible note liability by the issue of 2,777,778 ordinary shares at an issue price of GBP 0.36 (\$A0.84);
- settled the deferred consideration due in relation to the acquisition of Bellsbank Mining Number One (Proprietary) Limited, Kophia Diamonds (Proprietary) Limited and Rex Exploration (Proprietary) Limited by the issue of 2,349,400 fully paid ordinary shares at GBP0.35 (\$A0.84) in accordance with the terms of the original purchase agreement. As part of the settlement Dwyka has been released from outstanding commitments and ongoing obligations related to the purchase;
- completed the purchase of an initial 50% interest in Swazi Gold Venture (Pty) Ltd by the issue of 3,962,757 ordinary shares plus a cash payment of \$US200,000; and

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

34 Events occurring after the balance sheet date (continued)

- completed the sale of its portfolio of diamond and industrial assets to AIM listed KimCor Diamonds Plc. This transaction results in Dwyka selling its investment in and loan receivables to various subsidiaries with a book value of \$16,820,000 in consideration of the issue of 134,383,718 ordinary shares in KimCor Diamonds Plc. Shareholder approval for this transaction has been received from both the Dwyka and KimCor Diamonds shareholders and the transaction was completed on 24 September 2007. Dwyka now owns 50.09% of the expanded KimCor Diamonds Plc group. As part of and contemporaneously with completion of this transaction KimCor Diamonds has completed a capital raising of approximately GBP4.2 million (AUD10.1 million) at an issue price of GBP0.065. These funds will primarily be used to finance capital development of the expanded group's South African assets.

Except for the above, no other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs in future financial years.

35 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Loss from ordinary activities after tax	(16,360)	(3,614)	(2,766)	(6,298)
Depreciation and amortisation	897	488	43	48
Exploration expenditure & mining property generation written off	316	2,130	248	-
Doubtful debts	126	107	-	-
Finance costs	-	31	-	7
Foreign exchange (gain)/loss	(81)	(143)	(87)	(160)
Share based compensation	469	428	469	428
Impairment of assets	10,408	3	-	4,400
(Profit)/loss on sale of non current assets	(365)	6	(27)	-
Reversal of asset impairment	-	(139)	(82)	-
Management fees charged to controlled entities	-	-	(483)	(470)
Decrease/(increase) in receivables	162	(224)	(22)	14
Decrease/(increase) in inventory	28	58	-	-
(Increase)/decrease in tax expense	(1,621)	(168)	(20)	(28)
Increase/(decrease) in payables	1,031	548	349	(27)
Increase/(decrease) in current provisions	(36)	(176)	2	2
Net cash flow used in operating activities	(5,026)	(665)	(2,376)	(2,084)

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

35 Reconciliation of loss after income tax to net cash outflow from operating activities (continued)

Non-cash financing activities

During the current year the Company issued 9,713,014 ordinary shares at GBP0.35 (\$0.84) to acquire 100% of Danyland Limited.

During the year ended 30 June 2006 the company issued 2,747,802 ordinary shares at GBP0.35 (\$0.84) to acquire 3 underground mines and it issued 749,137 ordinary shares at \$0.685 in lieu of services rendered.

36 Loss per share

The following reflects the operating loss and share data used in the calculations of basic and diluted loss per share:

	2007	2006
	\$000	\$000
Net consolidated loss	(16,360)	(3,614)
Adjustments:		
Less: Net loss attributable to outside equity interest	-	67
Loss used in calculating basic and diluted earnings per share	(16,360)	(3,681)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	93,960,957	83,352,062
Effect of dilutive securities:		
Employee share plan shares	7,500,001	4,923,380
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	101,460,958	88,275,442

Information concerning the classification of securities:

Options granted are considered to be potential ordinary shares but have not been included in the determination of diluted loss per share as they are not dilutive. Details relating to the options are set out in the Directors' Report and note 37.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

37 Share-based payments

(a) Employee Option Plan

An employee incentive option plan was approved at the 2003 annual general meeting. This plan was replaced by a new employee option plan approved at the 2005 annual general meeting and again at a January 2007 general meeting

Participants of the option plan are determined by the Board and can be employees and directors of, or consultants to, the company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants. The Board has sole responsibility to determine the number of options and terms and conditions of options granted to any participant.

The options issued under the option plan will be granted free of charge. The exercise price for the options is to be not less than the weighted average share price for the last five trading days immediately preceding the options being offered to the participant.

The expiry date of the options will be determined by the Board and will also lapse within one month of the participant ceasing to be a director, employee or consultant of the company or a controlled entity (subject to certain exceptions). The Board at its discretion may apply certain vesting conditions upon any options issued under the plan.

The options are not transferable without prior written approval from the Board. The options will not be quoted on a publicly traded stock market; however application will be made for ASX/AIM quotation of the shares issued upon the exercise of the options.

Set out below are summaries of options granted under the plan:

Consolidated and parent entity - 2007

Grant date	Expiry date	Exercise Price	Balance at start of year Number	Granted during the year Number	Cancelled /lapsed during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
17 February 2004	30 June 2007	\$0.52	1,100,000	-	1,100,000	-	-
20 April 2006	30 June 2009	\$0.87	250,000	-	250,000	-	-
20 April 2006	30 June 2009	\$1.00	1,250,000	-	250,000	1,000,000	333,333
19 March 2007	30 June 2010	\$0.52	-	950,000	-	950,000	-
			<u>2,600,000</u>	<u>950,000</u>	<u>1,600,000</u>	<u>1,950,000</u>	<u>333,333</u>
Weighted average exercise price			\$0.78	\$0.52	\$0.65	\$0.77	\$1.00

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

37 Share-based payments (continued)

Consolidated and parent entity - 2006

Grant date	Expiry date	Exercise Price	Balance at start of year Number	Granted during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
17 February 2004	30 June 2007	\$0.52	1,100,000	-	1,100,000	733,333
20 April 2006	30 June 2009	\$0.87	-	250,000	250,000	-
20 April 2006	30 June 2009	\$1.00	-	1,250,000	1,250,000	-
			1,100,000	1,500,000	2,600,000	733,333
Weighted average exercise price			\$0.52	\$0.98	\$078	\$0.52

During the year the following employee plan options were cancelled or lapsed:

Grant date	Expiry date	Exercise price of options	Number of options lapsed/cancelled
17 February 2004	17 December 2006	\$0.52	1,100,000
20 April 2006	30 June 2009	\$0.87	250,000
20 April 2006	30 June 2009	\$1.00	250,000

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 9 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The additional model inputs for options granted during the year ended 30 June 2007 included:

- (a) options are granted for no consideration, have a three year life and 50% of each tranche vests and are exercisable on the first two anniversaries of the date of grant
- (b) share price at grant date: \$0.375
- (c) expected price volatility of the company's shares: 60%
- (d) expected dividend yield: Nil
- (e) risk-free interest rate: 6.2%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

37 Share-based payments (continued)

(b) Employee Share Plan

An employee incentive share plan was approved at the 2003 annual general meeting. This plan was replaced by a new employee share plan approved at the 2005 annual general meeting.

Participants of the plan are determined by the Board and can be employees and directors of, or consultants to, the company or a subsidiary. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the plan is not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the balance sheet as share capital and as part of employee benefit costs in the period the shares are vested.

A participant who is invited to subscribe for shares under the plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Interest free;
- Applied directly against the issue price of the shares to be acquired under the plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the share plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

All shares issued under the employee share plan with non-recourse loans are considered to be options and are accounted for in accordance with note I(v) (ii).

During the year the repayment of the initial loan payable on 2,700,001 shares that were issued to directors, consultants and employees under the plan in December 2003 was extended until 21 December 2008.

Grant date	Loan expiry date	Issue price	Balance at start of year Number	Granted during the year Number	Balance at end of the year Number	Vested at end of the year Number
17 December 2003	21 December 2008	\$0.52	2,700,001	-	2,700,001	2,700,001
21 December 2005	21 December 2008	\$0.87	750,000	-	750,000	250,000
21 December 2005	21 December 2008	\$1.00	3,350,000	-	3,350,000	1,116,667
12 April 2006	12 April 2009	\$1.00	200,000	-	200,000	66,667
20 December 2006	20 December 2009	\$1.00	-	1,000,000	1,000,000	-
			<u>7,000,001</u>	<u>1,000,000</u>	<u>8,000,001</u>	<u>4,133,335</u>

For details of the shares issued to directors and executives refer to note 27.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

37 Share-based payments (continued)

(c) Expenses relating to share based payment transactions

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Options issued under employee option plan	97	87	97	87
Shares issued under employee share plan	372	341	372	341
Shares issued in exchange for services rendered	-	513	-	513
Options to be issued to placement underwriter	45	-	45	-
	514	941	514	941

DWYKA RESOURCES LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 29 to 83 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 16 to 21 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



M. J Sturgess
Chief Executive Officer
Perth Date: 28 September 2007

Independent auditor's report to the members of Dwyka Resources Limited

Report on the financial report and the AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Dwyka Resources Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Dwyka Resources and the Dwyka Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 16 to 21 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of the company for the financial year ended 30 June 2007 included on the Dwyka Resources Limited web site. The company's directors are responsible for the integrity of the Dwyka Resources Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Dwyka Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 16 to 21 of the directors' report comply with Accounting Standard AASB 124.



PricewaterhouseCoopers



Pierre Dreyer
Partner

Perth
28 September 2007

DWYKA RESOURCES LIMITED

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2007.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	<i>Class of equity security Shares</i>
1 - 1,000	98
1,001 - 5,000	153
5,001 - 10,000	67
10,001 - 100,000	162
100,001 and over	68
	548

There were 45 holders of a less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted ordinary shares as at 31 August 2007 were:

<i>Name</i>	<i>Listed ordinary shares</i>	
	<i>Number held</i>	<i>Percentage of issued shares</i>
Computershare Clearing Pty Ltd	61,750,031	47.99
Allerton Horizon Limited	9,263,014	7.20
Mellon Nominees (UK) Limited	6,235,220	4.85
Savinara Company SA	3,962,757	3.08
The Bank of New York Nominees Limited	2,266,129	1.76
HSBC Custody Nominees (Australia) Limited	2,037,412	1.58
Goldman Sachs Securities (Nominees) Limited	2,023,135	1.57
Mr Edward Nealon	2,000,000	1.55
Ms Melissa Sturgess	2,000,000	1.55
Capital Frontiers	1,600,000	1.24
Clyde Trading Ltd	1,259,133	0.98
Mr Evan Kirby	1,016,129	0.79
Mr Mike Langoulant	1,016,129	0.79
IG Markets LTD	1,005,000	0.78
Mr Adrian Griffin	1,000,000	0.78
Padstock Limited	1,000,000	0.78
Pershing Keen Nominees Limited	975,000	0.76
ANZ Nominees Limited	971,205	0.75
Goldman Sachs Securities (Nominees) Limited	961,575	0.75
UOB Kay Hian (Hong Kong) Limited	892,658	0.69
	103,234,527	80.22

DWYKA RESOURCES LIMITED

SHAREHOLDER INFORMATION

C. Substantial holders

Substantial holders in the Company are set out below:

<i>Ordinary shares</i>	<i>Number held</i>	<i>Percentage</i>
Allerton Horizon Limited	9,263,014	7.20
Mellon Nominees (UK) Limited	6,235,220	4.85

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

E. Restricted securities

There are no restricted securities on issue.

F. Tenement Schedule

1. Mining Permit and Mining Licence held through controlled entity Supermix Mining (Pty) Ltd

Mining Permit, MP 308/2000, issued in terms of Section 9(1) read with Section 9(3) (d) of the Minerals Act covering the farm De Hoop (formerly No. K72) measuring 3108.25 hectares in extent. The permit was renewed on 19 November 2003 and is valid until 20 December 2007.

Mining Permit, MP 165/2002, to mine diamonds and issued in terms of Section 9(1) read with Section 9(3)(d) of the Minerals Act covering the remaining extent De Hoop No. 65, Pax No. 195, Portion 7 De Hoop No. 65, Portion 8 De Hoop No. 65, Portion 9 De Hoop No. 65, Portion 10 a portion of Portion 1 De Hoop No. 65, Portion 11 a portion of Portion 1 of De Hoop No. 65, Farm No. 196, Farm 193 and Portion 5 of De hoop No. 65 (excluding area delineated as Phase B). The permit was issued on 19 November 2002 and is valid until 18 November 2007.

Mining Permit, ML 08/2002, to mine diamonds, sand and dimension stone and issued in terms of Section 9(1) read with Section 9(3)(d) of the Minerals Act covering Portion 5 of De Hoop No. 65 (Phase A and B) and the remaining extend of De Hoop. The permit was issued on 12 February 2003 and is valid until 20 December 2007.

Mining Licence, ML 3/2003, issued in terms of Section 9(1) read with Section 9(3) (d) of the Minerals Act covering Portions 1, 2, 3, 4, 5 & 6 of the farm Nooitgedacht. The licence is valid until 20 June 2011.

DWYKA RESOURCES LIMITED

SHAREHOLDER INFORMATION

F. Tenement Schedule (continued)

2. Right to Prospect and Prospecting Permit held through controlled entity Basfour 2624 (Pty) Ltd

Prospecting Permit PP 31/2003 issued subject to the provisions of the Minerals Act 1991 - Permit on a certain surveyed portion of farms 84 & 86 and valid until 24th August 2007 & issued on 25th August 2003. An application to convert the old order prospecting right to a new order prospecting right was launched on 15 July 2007. Prospecting Permit, PP31/2003 is valid whilst the Department of Mineral and Energy process the application for a conversion.

3. Right to Prospect / Mine held through controlled entity – Kophia Diamonds

The current status in respect of the prospecting/mining titles on the individual properties is described as follows:

1. Newlands Diamond Mine – Certain 80 precious stone claims situated on portion 1 of Farm No 72, District of Barkly West.

On the 9th January 2001 a mining license, ML 1/2001, was issued to Kophia Diamonds to mine for diamonds for a period ending on the exhaustion of the economically viable reserves or “in perpetuity”. This mining license constitutes a “used old order mining right” and the holder of the mining license has the exclusive right to apply for a new order mining right for the period ending 31 April 2009. The MPRDA states that the Minister must grant a new order mining right if the applicant complies with the prerequisites set out in Sections 22 and 23 of the MPRDA, which includes compliance with the empowerment objectives.

2. West End Diamond Mine – Portion of the Remaining extent of Erf 14 of Postmasburg.

An application for a “new order mining right” has been submitted to the DME. The application submitted is in respect of the West End Mine and does not include any tailings situated on the surface.

3. Blaauwbosch Diamond Mine – District of Boshoff.

Kophia Diamonds were issued with a mining license ML 12/2002 for a period of 25 years ending 28 July 2027. This mining license constitutes a “used old order mining right” and the holder of the mining license has the exclusive right to apply for a new order mining right for the period ending 31 April 2009. The MPRDA states that the Minister must grant a new order mining right if the applicant complies with the prerequisites set out in Sections 22 and 23 of the MPRDA, which includes compliance with the empowerment objectives.

4. New Elands Diamond Mine – District of Boshoff.

Kophia Diamonds were issued with a mining license ML 12/2002 for a period of 25 years ending 28 July 2027. This mining license constitutes a “used old order mining right” and the holder of the mining license has the exclusive right to apply for a new order mining right for the period ending 31 April 2009. The MPRDA states that the Minister must grant a new order mining right if the applicant complies with the prerequisites set out in Sections 22 and 23 of the MPRDA, which includes compliance with the empowerment objectives.

DWYKA RESOURCES LIMITED

SHAREHOLDER INFORMATION

F. Tenement Schedule (continued)

4. Mineral exploration permits held through controlled entity Dywka Tanzania Limited

Prospecting license 2097/2002 granted pursuant to section 29 of the mining act 1998 in 2002 and renewed on 20 December 2006 for a further 3 year period.

Prospecting license 2098/2002 granted pursuant to section 29 of the mining act 1998 in 2002 and renewed on 12 January 2007 for a further 3 year period.

5. Mineral exploration permits held through controlled entity Danyland Limited

Prospecting license 100/189 granted to the company on 17 July 2006 by the Government of the Republic of Burundi