



A.C.N 060 938 552

QUARTERLY REPORT 31 DECEMBER 2007

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

Highlights

- **Drilling commenced at the Muremera Nickel Project in Burundi**
 - **Drilling commenced at the Kobolondo, Daisy and Lufafa gold projects in Swaziland**
-

NICKEL

Muremera Nickel Project

Recent activities

Both the drilling and heliborne VTEM surveys have commenced at the Muremera nickel project in Burundi, which is owned by the Company's wholly-owned subsidiary Danyland Limited.

Drilling

Phase 1 drilling was undertaken throughout the quarter with four drillholes being completed in January 2008 on the Muremera B anomaly, which is considered prospective due to a superposition of both strong electromagnetic and magnetic anomalies. All four holes were drilled for structural/stratigraphic purposes but the second hole (D002) also intersected semi-massive sulphides between 220 and 235 metres.

Phase 2 of the drilling commenced on January 16th 2008 with two additional geologists being added to the team. Up to 10,000 metres of drilling is expected in 2008.

Assaying

Assaying of the core has been delayed to allow for magnetic core orientation studies. Assay results are expected in late February/early March 2008. The



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core will be split at site with half the core then being sent to ALS Chemex Laboratory in Mwanza for sample preparation prior to despatch for final assay to ALS Chemex in Johannesburg.

VTEM Surveying

During the quarter all surveying equipment, including the survey helicopter and personnel, arrived on site and VTEM surveying commenced. Geotech Ltd is contracted to fly the 1st B-field VTEM survey in Africa over the Muremera targets. A total of 5,830 line kilometres is being flown at 100m line spacing and at this stage approximately 42% of the VTEM survey has been undertaken with completion expected by early February 2008. This level of detail will enable direct drilling off the VTEM data.

About the project

The Muremera licence, owned by the Company's wholly-owned subsidiary Danyland Limited ("**Danyland**"), is located within 2km of the Kabanga project operated by Xstrata/Barrick, the world's largest undeveloped nickel sulphide deposit.

The Kabanga deposit, which is located immediately across the border in Tanzania, was discovered by geophysical prospecting, by the United Nations Development Programme ("**UNDP**"), in 1976. Further UNDP surveys in 1978 resulted in the discovery of the prospective Muremera deposits on the Burundi side of the border in 1978. The anomalies have identical characteristics and follow-up work by the UNDP has confirmed that massive sulphide bodies, with nickel mineralisation, are the source of the anomalies. Extensive geophysics and geochemical surveys have delineated numerous targets, however there has been insufficient drilling to date to establish a JORC compliant resource.

Shareholders and Earn-in Agreement with BHP Billiton

On 23 February 2007, the Company signed a Shareholders and Earn-in Agreement with BHP Billiton ("**BHPB Agreement**"), pursuant to which BHP Billiton has agreed to spend at least US\$5,200,000 in undertaking certain activities to develop the Muremera Nickel Project, in order to earn a shareholding of up to 50% in Danyland.

Under the BHPB Agreement, the BHP Billiton investment will be realised in 3 stages as follows:

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- during the first stage, BHP Billiton will spend a minimum of US\$1,200,000 on initial exploration activities in order to earn a 10% equity in Danyland. This hurdle is likely to be achieved by the end of Q1, 2008 with total expenditure to date of US\$2,600,000.
- during the second stage, BHP Billiton will spend US\$2,000,000 on target testing in order to earn a further 20% equity (total 30%); and
- during the third stage, BHP Billiton will spend a further US\$2,000,000 on resource definition and the completion of a concept study in order to earn the remaining 20% equity (up to a total of 50% interest in Danyland).

BHP Billiton may withdraw from the project during or after completion of any of the stages, but if it withdraws during a particular stage it retains only the equity earned by virtue of having completed the previous stage. The project will be managed by the Danyland board of directors, on which Dwyka and BHP Billiton will have equal representation.

Once BHP Billiton has fully satisfied its earn-in obligations, the parties will contribute to further development of the project in proportion to their percentage shareholdings in Danyland. Normal default and dilution provisions apply where a party fails to meet its share of project funding.

GOLD

Swazigold Project

Recent activities – Commencement of drilling

A drilling contract has been signed with Diabor (Pty) Limited of Pretoria, South Africa. Diabor has mobilised its drilling crew and initiated drilling at the Kobolondo prospect with a small diamond drilling rig on a 650m shallow-hole (<120m) drilling program. Discussions are currently underway with contractors to mobilize a larger drilling-rig, capable of drilling deeper drill-holes in early 2008.

Three boreholes have been planned for the Kobolondo prospect to test a 600m strike length of a mineralised shear zone. Surface sampling of trenches excavated by Dwyka on this shear zone have returned stretch intersections of 2.82g/t Au over 11m (including 7.70g/t Au over 3m), 2.16g/t Au over 5m (Including 4.84g/t Au over 1m) 4.24g/t Au over 3m (including 7.97g/t Au over 1m). Deeper drilling of the Kobolondo prospect will be undertaken in 2008 subject to results from the current drill-program.

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Drilling for the Daisy prospect is targeted to test a shallow portion of the # 1 oreshoot that had not been drill-tested by previous investigations. The # 1 oreshoot (described in the announcement dated 30 November 2007) is a 65 – 100m wide high-grade oreshoot that has been traced, by diamond drilling, to a depth of 250m. Most of the planned drilling for the Daisy prospect will be undertaken when a drill-rig with greater depth-capability is available.

At the Lufafa prospect, surface exploration to date suggests that there is the potential to host 5-25m wide zones of 1-2g/t disseminated Au mineralization over strike lengths of <250m. Three drilling targets have been identified to date, two of which are located in the Lufafa Central area. Three shallow boreholes will then test the targets at Lufafa Central. The first two aim to intersect a zone of mineralization from which trench sampling returned stretch intersections of 1.65g/t Au over 14m, 1.15g/t Au over 19m and 1.23g/t Au over 9m. The third borehole is planned to intersect a zone of mineralization that returned intersections of 2.61g/t Au over 6m and 4.76g/t Au over 6m. Deeper drilling of the Lufafa prospect will be subject to encouraging results from the shallow drill-holes.

Recent activities – Exploration Results

Gold mineralization in the Barberton Greenstone Belt is closely associated with thrust-shear zones that juxtapose strata of differing stratigraphic groups. Four major targets have been recognized to date and Dwyka has carried out recent work on three of these: Kobolondo, Daisy, and Lufafa.

Kobolondo

Previous drilling by RTZ and JCI showed a preferentially reactivated shear zone to be present here returning results of 10.95g/t Au over 1.0m, 14.31g/t Au over 2.5m, and 2.27g/t Au over 2.2m. As a follow up, Dwyka has taken 249 rock-chip samples at Kobolondo showing that significant gold mineralization exists over a strike length of 600 metres. Highlights of the rock chip sampling from the zone are:

4.24g/t Au over 3m	including 7.97g/t Au over 1m
2.82g/t Au over 11m	including 7.70g/t Au over 3m
2.16g/t Au over 5m	including 4.84g/t Au over 1m

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Daisy

The Daisy deposit is hosted by a steeply dipping shear at the contact between amphibolite and talc schists. Gold occurs in a 1 to 3m wide quartz-carbonate-sulphide schist with a strike length of at least 700m. Three zones are recognized at Daisy where previous drilling by RTZ and JCI returned the following values:

Zone 1	25.8g/t Au over 1.6m
Zone 2	7.2g/t Au over 1.5m
Zone 3	5.0g/t Au over 0.9m
	19.1g/t Au over 1.3m
	5.1g/t Au over 2.0m
	4.5g/t Au over 0.9m
	8.9g/t Au over 1.5m
	5.3g/t Au over 0.8m
	7.6g/t Au over 1.2m

Additional historical data has now been obtained from Southern Era Resources (SER) providing four additional drill hole intersections in Zone 1 below the historical open pit mine. The significant SER results can be summarized as follows:

Borehole DA1-97	1.01g/t Au over 1m	
	2.76g/t Au over 5m	including 3.71g/t over 3m
Borehole DA2-97	2.21g/t Au over 1m	borehole missed main ore shoot
Borehole DA3-97	3.60g/t Au over 12.4m	including 8.83g/t over 4.2m and 17.19g/t over 1.5m
Borehole DA4-97	5.73g/t Au over 4m	including 14.20g/t over 1.0m
	3.20g/t Au over 1m	
	1.90g/t Au over 1m	

Cross-sections have been constructed for all drill-holes for the Daisy mine area. A longitudinal section has been constructed for the #1 Ore Zone. The data suggests a 65 to 100m wide ore shoot plunging at approximately 30 degrees to the north east. Drilling has traced this ore shoot for a distance of 250m down-plunge. The deepest intersection to date is 5.73g/t Au over 4m (including 14.2g/t over 1m).



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Dwyka considers the Daisy Project continues to have immediate potential to prove up a small to medium tonnage high grade underground gold mine and remains a prime target for the Company.

Lufafa

Three target areas have previously been identified here: Lufafa North, Lufafa Central, and Lufafa South. Reconnaissance geological mapping and rock chip sampling have been completed. Highlights of the sampling are:

1.54g/t Au over 13m	including 5.38g/t over 1m
1.83g/t Au over 7m	including 6.20g/t over 1m
3.61g/t Au over 5m	including 14.70g/t over 1m

Data to date suggests that the Lufafa Prospect has the potential to host 5-25m wide zones of 1-2g/t disseminated Au mineralization in Banded Iron Formations over strike lengths of approximately 250m. Three drilling targets have been identified to date.

About the project

The Swazigold Project is located in Swaziland, in the highly prospective Archaean Barberton Greenstone Belt that straddles the border between Mpumalanga Province, South Africa and Swaziland. Such Greenstone Belts host many major gold deposits in South Africa, Canada, and Australia, including the giant Kalgoorlie goldfield. The Barberton Greenstone Belt was the location of the first gold discovery in South Africa and subsequent gold rush in 1884. Since that time, the belt has produced 11.5 million ounces of gold. Current underground mines include the Fairview, Sheba and Consort mines of Barberton Mines Limited.

The Project area is a large 425 sq km 'greenfields' exploration play with many targets ranging from 'walk up' advanced drilling targets to promising geochemical anomalies. The prospective licence area comprises more than 40km of strike length containing multiple mineralised structures and more than 40 gold showings. Historic detailed drilling has been restricted to the Wyldsdales, Lomati and Daisy prospects where cumulative drilling by previous owners is in excess of 13,000 metres.

Dwyka's initial conclusion from a review of the geology and of this historic work is that the potential exists for several million tonnes of high grade gold mineralisation.



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Shareholders and Earn-in Agreement in relation to Swazigold Project

On 16 July 2007, Dwyka's wholly-owned subsidiary Karrinyup Holdings Limited ("**Karrinyup**") entered into a Shareholders and Earn-in Agreement ("**Swazi Agreement**") in relation to Swazi Gold Ventures (Pty) Ltd ("**SGV**"), the holder of 90% of the issued shares in Swaziland Gold (Pty) Ltd ("**SwaziGold**"), which in turn owns the Swazigold Project.

Under the terms of the Swazi Agreement, Karrinyup has the right to acquire the following percentage shareholdings in SGV on the following basis:

- Payment of US\$200,000 plus Dwyka shares to the value of US\$1,500,000 (at market price) – Karrinyup earns a 50% interest;
- US\$750,000 worth of project expenditure by 30 June 2008; payment of US\$200,000 plus Dwyka shares to the value of US\$1,000,000 (at 80% of market price) – Karrinyup earns a further 20% interest (total 70%);
- Payment of US\$400,000 plus Dwyka shares to the value of US\$1,000,000 (at 80% of market price) by 30 June 2009; project expenditure to reach bankable feasibility stage by 30 June 2011 – Karrinyup earns a further 15% interest (total 85%); and
- Issue of Dwyka shares to the value of US\$3,000,000 (at 80% of market price) pursuant to the exercise of an option exercisable at any time within 12 months after the date on which a bankable feasibility study is completed in relation to the Swazigold Project – Karrinyup acquires remaining 15% interest (total 100%).

Under the terms of the Swazi Agreement, Karrinyup will be the manager of the Swazigold Project, which will be overseen by a management committee in which the vendor shareholder in SGV and Karrinyup will each have equal representation. Voting will be in accordance with the parties' shareholding percentages in SGV, provided that the manager will have a casting vote in the event of a deadlock.

Karrinyup may withdraw from the Swazigold Project at any time, in which case it will dilute to a 49.9% shareholding in SGV and will relinquish management control. In addition, if such withdrawal occurs after the bankable feasibility stage, Karrinyup will have a 2% royalty with respect to all minerals produced from the Swazigold Project area.



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DIAMONDS

Dwyka holds 48% of KimCor Diamonds Plc

On 24th September 2007 Dwyka completed the sale of its diamond interests to KimCor Diamonds Plc, with Dwyka owning 50.09% of KimCor's issued equity. Dwyka has since reduced its shareholding in KimCor from 50.09% to 48.2% of KimCor's issued share capital, via the sale of 5,050,000 shares to institutional and high net worth clients of Ambrian Partners Limited and Strand Partners Limited.

The sale has realised gross proceeds of GBP 293,106 for Dwyka, which will be used for general working capital purposes.

CORPORATE

Resignation of a director

Mr Adrian Griffin resigned as Director of the Company on 30 October 2007. Mr Griffin formerly held the role of Technical Director of the Company and was responsible for the Company's Diamond and Industrial Operations which were sold to AIM-listed KimCor Diamonds Plc in September 2007.

Mr Griffin will continue to provide consulting services to the Company as required.

A handwritten signature in black ink, appearing to read "Melissa Sturges", with a long, wavy horizontal line extending to the right.

MELISSA STURGES
Chief Executive Officer

The technical exploration and mining information contained in this report was compiled by Adrian Griffin (Technical Director of the Company) and Ed Nealon (Chairman of the Company), both of whom are members of the Australasian Institute of Mining and Metallurgy and are considered to be Competent Persons in their respective area of expertise pursuant to the Australasian Code for Reporting of Mineral Resources and Ore Reserves.



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For further information please contact:

Bernard Olivier +255 754 600 999

Ed Nealon +618 9324 2955

Melissa Sturgess +618 9324 2955

Dwyka Resources Limited

Richard Brown (+44) 20 7776 6417

Ambrian Partners Limited

Press Enquiries

Charlie Geller/Leesa Peters (+44) 20 7429 6604 or (+44) 7970 067 320

Conduit PR

or visit <http://www.dwyresources.com>

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

DWYKA RESOURCES LIMITED

ACN or ARBN

098 060 938 552

Quarter ended ("current quarter")

31 December 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	64	2,646
1.2 Payments for (a) exploration and evaluation	(492)	(766)
(b) development		(183)
(c) production		(3,035)
(d) administration	(269)	(11,47)
1.3 Dividends received		
1.4 Interest and items of a similar nature received	28	71
1.5 Interest and other costs of finance paid		(193)
1.6 Income taxes paid		
1.7 Other FOREX		(10)
Net Operating Cash Flows	(669)	(2,717)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		(227)
(b)equity investments		
(c) other fixed assets	(1)	(4)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments	482	482
1.10 Loans to other entities		
1.11 Loans repaid by other entities	60	60
1.12 a) Other cash held in associates accounted for on an equity basis – previously held by subsidiaries and included in consolidated cash balances	(8,284)	(8,284)
b) Other cash acquired upon subsidiary acquisition		7,662
Net investing cash flows	(7,743)	(311)
1.13 Total operating and investing cash flows (carried forward)	(8,412)	(3,028)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(8,412)	(3,028)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		1,446
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		(75)
1.18	Dividends paid		
1.19	Other – capital raising costs		
	Net financing cash flows		1,371
	Net increase (decrease) in cash held	(8,412)	(1,657)
1.20	Cash at beginning of quarter/year to date	10,984	4,265
1.21	Exchange rate adjustments to item 1.20	5	(31)
1.22	Cash at end of quarter	2,577	2,577

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	86
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

During the quarter the Company sold down its interest in AIM listed KimCor Diamonds plc to below 50%. As a result Dwyka now accounts for its interest in the Kimcor group on an equity accounting basis. As such Dwyka's share of the Kimcor cash position is no longer included in the Dwyka cash balances. Also for this quarter the application/receipt of funds by the Kimcor group do not form part of this statement of cash flows in accordance with equity accounting principles; whereas they did form part of the cash statement in the September 2007 quarter.

Non-cash financing and investing activities

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

During the quarter the company issued the following fully paid ordinary shares:

- 850,000 shares at \$A0.915 under the Dwyka the Dwyka Employee Share Plan. The issue of these shares was financed by a limited recourse loan and as such are treated as if it was an issue of equivalent options..

+ See chapter 19 for defined terms.

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

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Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

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

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	29	7,779
5.2 Deposits at call	2,548	3,205
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,577	10,984

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter				
7.3 +Ordinary securities	131,344,206	131,344,206	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	825,000	825,000	\$0.915	\$0.915
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>		-		
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	125,000	-	<i>Exercise price</i> \$0.52	<i>Expiry date</i> 30/6/2010
	500,000	-	\$0.31	30/6/2010
	450,000	-	\$0.95	30/6/2009
7.8 Issued during quarter	500,000	-	\$0.31	30/6/2010
	450,000	-	\$0.95	30/6/2009
7.9 Exercised during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.10 Expired (cancelled) during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 31 January 2008
Company Secretary
Print name: Michael Langoulant

Notes

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- 1 This quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
 - 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
 - 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
 - 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
 - 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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