



Dwyka  
Diamonds  
Limited

1 July 2003

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bond Street  
SYDNEY NSW 2000

Dear Sir / Madam

**RE: Proposed Merger with Gravity Capital Withdrawn**

Dwyka Diamonds Limited ("Dwyka") and Gravity Capital Limited ("Gravity") have today agreed to withdraw their proposed merger of the two companies.

During the lengthy process of preparing a Scheme of Arrangement a number of events have overtaken both companies, which have changed the fundamental basis of the original agreement.

In the case of Dwyka, the changed ownership structure of Gravity's diamond joint ventures resulting from the creation of Diamond Mines Australia Pty Ltd and the subsequent sale of equity in the projects, has diminished the valuation that can be ascribed to the projects for Dwyka shareholders. In addition, Dwyka has made significant and important progress on its Indian diamond exploration program and the Board, has been concerned to protect existing shareholders' interests whilst these advances are being evaluated.

In Gravity's case, the changed ownership structure of its diamond joint ventures as well as the potential of its recent Broken Hill Falcon™ survey has led to concerns by the Board about diluting the existing shareholders' exposure to a discovery if the merger was to proceed as planned.

Dwyka has a 14.63 per cent interest in Gravity's issued capital and proposes to remain supportive of the company's activities. Both companies are examining ways of cooperating in an administrative and operational sense going forward.

Dwyka Diamonds Limited	ACN 060 938 552
Level 4, HPPL House	Postal Address
28 - 42 Ventnor Avenue	PO Box 7460
West Perth WA 6005	Cloisters Square WA 6850
Tel: (61 8) 9324 2955	Fax: (61 8) 9324 2977

## Appointment of CEO

The directors are pleased to announce the appointment of Melissa Sturgess as Chief Executive Officer of Dwyka Diamonds Limited with immediate effect. Melissa, an existing Executive Director of the Company, was instrumental in the creation of the relationship between Dwyka and BHP Billiton and is responsible for the restructure of Dwyka's interests in South Africa.

Yours faithfully

**Dwyka Diamonds Limited**



---

**Grant Button**  
Company Secretary

Dwyka Diamonds Limited	ACN 060 938 552
Level 4, HPPL House	Postal Address
28 - 42 Ventnor Avenue	PO Box 7460
West Perth WA 6005	Cloisters Square WA 6850
Tel: (61 8) 9324 2955	Fax: (61 8) 9324 2977