



2 April 2003

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

Dear Sir / Madam

**RE: UPDATE ON MERGER WITH GRAVITY CAPITAL LIMITED AND  
OPERATIONAL ACTIVITIES**

#### **Summary**

- **The merger with Gravity Capital Limited ("Gravity Capital") is on track - the documents have been lodged with ASIC and Gravity Capital expects to be able to send the Merger documentation to shareholders shortly.**
- **The field season in India is underway, with results expected before the end of the current quarter.**
- **The cash position of Dwyka Diamonds Limited ("Dwyka") is currently A\$5m**
- **Negotiations are underway for the sale of the alluvial diamond mining operations, exploration properties and related plant and equipment. The Directors of Dwyka expect a favourable outcome for shareholders from these negotiations. The Directors anticipate that the sale of these assets will involve a significant cash surplus and the opportunity to retain a major indirect interest in the underlying mineral assets.**

#### **Merger**

The merger documentation has been forwarded to ASIC for review and a Court date has been requested. Both the Board of Gravity Capital and the Board of Dwyka remain firmly committed to the merger with the operational synergies and diamond discovery potential that it will bring.

## **India**

The Indian exploration programme has recommenced. The likelihood of further discoveries of diamondiferous pipes near the 5 located to date, is considered to be moderate to high.

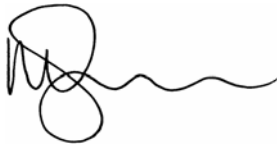
## **Sale of South African alluvial operations**

Negotiations are currently underway with a party interested in acquiring 100% of Dwyka's South African alluvial diamond mining interests. It is anticipated that Dwyka would retain a significant indirect interest in these assets.

The orderly sale of plant and equipment has commenced in South Africa and the Directors currently anticipate there will be a cash surplus at the end of the divestiture programme.

The industrial products division continues to operate on a positive cash flow basis.

Yours faithfully  
Dwyka Diamonds Limited



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**MELISSA STURGESS**  
Executive Director