



3 February 2003

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

Dear Sir / Madam

1. Merger with Gravity Capital Limited

The Merger and Implementation Agreement between Dwyka Diamonds Limited (“Dwyka”) and Gravity Capital Limited (“Gravity”) will be signed this week and the merger document is nearing completion. The expected date for the completion of the transaction remains late March 2003. The merger with Gravity, combined with the BHP Billiton India Alliance puts Dwyka at the forefront to make a significant discovery of diamonds on some of the most prospective exploration ground in the world. With current global supply of mined diamonds not expected to keep pace with future demand, a new diamond discovery is keenly anticipated.

The combined expertise of the two organisations together with the technical and strategic support of BHP Billiton, who is a partner of both companies, creates a team with technical, operating and managerial skills to fast track the deployment of Falcon™ in Australia and the on the ground work in India.

Falcon™ Airborne Gravity Gradiometer

The Falcon™ airborne gravity gradiometer is based on US Naval Technology and was developed by BHP Billiton specifically for minerals exploration. It has been described as the most important advance in geophysical exploration techniques in the past 50 years and it enables the rapid assessment of prospective ground for diamonds and a range of other minerals.

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Gravity has an alliance with BHP Billiton that allows it exclusive access to 75% of the production capacity of Falcon™ in Australia. BHP Billiton has retained the remaining capacity for deployment in its own exploration programs.

Geologically, Australia is highly prospective for diamonds as witnessed by the Argyle discovery. The merger with Gravity brings with it a JV over significant diamond exploration areas in the north of Australia straddling the Northern Territory/Queensland border. The joint venture ground lies within a widespread regional micro and macro diamond anomaly, the largest of its kind known in the world. Rio Tinto and Ashton Mining have historically spent approximately \$30m in the region and discovered the Merlin Pipe along with numerous areas with indicator minerals and micro and macro diamonds. Complex local geology makes finding the source of these anomalies with currently available techniques extremely difficult. Falcon™ brings a new technology to the problem and has an excellent chance of generating high potential new targets for immediate follow-up testing. It is intended to fly the highest priority areas in April 2003.

Gravity has a number of other attractive areas already in JV, not only over diamonds but also on base metals and oil & gas. Details can be found on the Gravity Website gcap.com.au

2. BHPB India Alliance

Results of the latest sampling work have now been received with very encouraging results. After initial work by BHP Billiton identified five kimberlite pipes from which lag samples returned G10 pyrope garnets, diamonds and diamond associated chromites a follow up drilling programme was carried out. The drilling confirmed the compositions and abundances of the G10 pyrope garnets and returned micro diamond results of between 4 and 35 cpht with the best results again coming from Pipe 4. The diamonds are good white translucent stones ranging in size up to 0.85mm. The results show that 30% of the G10 pyrope garnets have been sourced from within the required diamond stability window, demonstrating that Dwyka/BHP Billiton are in exactly the right area for the discovery of an economic pipe. Based on these positive results an airborne magnetic survey will be flown to generate new targets for testing.

Pipe 4 returned the most promising results and if BHP Billiton is not interested in further follow-up based on their evaluation criteria Dwyka will undertake further assessment.

3. South African Operations

The September 2002 quarter results from Dwyka's alluvial mines were positive, with a net cash operating profit of Rand 1.8 million generated. The mine plan for the December quarter proposed moving into further prospective areas on the DeHoop property known as Fairies Pride North. Unfortunately delays in accessing the ground have been encountered. Dwyka is still unclear as to exactly when it can expect its mining permit for Fairies Pride North to be granted.

In the meantime areas of slightly lower prospectivity have been mined, resulting in a drop off in grade to less than 1cpht. Given the uncertainty about the land access status, the current low grade combined with a significantly stronger Rand to US dollar exchange rate, the alluvial operations will be put into care and maintenance mode pending a sale of the operations or an improvement in the business climate.

Yours faithfully
Dwyka Diamonds Limited

A handwritten signature in cursive script that reads "G. Button".

GRANT BUTTON
Company Secretary