



**DWYKA RESOURCES
LIMITED**

A.B.N. 98 060 938 552

ANNUAL REPORT
30 JUNE 2008

DWYKA RESOURCES LIMITED

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COMPANY PARTICULARS

Registered office

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Board of directors

Edward Nealon
Melissa Sturgess
Evan Kirby
Michael Langoulant
Terry McConnachie

Company secretary

Michael Langoulant

Auditor

PricewaterhouseCoopers

Share registrar

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

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Stock exchange listings

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

Solicitors

Clayton Utz (Australia)
Joelson Wilson (UK)

DWYKA RESOURCES LIMITED

OPERATIONS AND FINANCIAL REVIEW

Operating Results

Introduction

Dwyka Resources Limited's ("Dwyka" or the "Company") strategy of pursuing a small number of key projects in strategic minerals came at a time of continued strong world demand for commodities of all types, driven in large part by the urbanisation of China and India and their expanding consumer classes. To that end, during the year Dwyka completed a number of transactions and progressed its current projects including

1. the consolidation of its diamond and industrial assets with KimCor Diamonds Plc's existing diamond assets, creating a more robust, growth orientated entity, allowing Dwyka's shareholders to retain exposure to the upside of a larger suite of diamond assets through Dwyka's shareholding in KimCor;
2. drill programmes at its gold project in Swaziland, during a time of record high gold prices;
3. continued drilling and other exploration on the Muremera Nickel Project in Burundi, a world class nickel exploration target with exploration being funded by BHP Billiton; and
4. acquiring an option to purchase the Daguma and Bonanza Coal Projects in the Philippines.

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

Daguma and Bonanza Coal Projects, The Philippines

On 7 May 2008, Dwyka announced that it had entered into an option giving it the ability to acquire an interest in the Daguma and Bonanza coal deposits located on the Philippines island of Mindanao (the "Project").

The Project is located to the south of the island of Mindanao and comprises 10 coal Blocks, each having an area of approximately 10 square kilometres (giving a total project area of approximately 100 square kilometres). Two of the blocks have been the subject of significant historical drilling (32 holes) and other work, including the completion of a scoping study. The scoping study and various other evaluations of the two Blocks have highlighted the potential for coal in this area. Based on the previous historical data the Company's initial exploration target through further drilling is to confirm the existence of between 125 million to 150 million tonnes of coal with a calorific value of between 5,300 and 5,500 kilocalories per kilogram. *(The Company notes that the exploration to date has not defined a JORC compliant Mineral Resource, and that there is no certainty that further exploration will result in the determination of a JORC compliant Mineral Resource).* Dwyka's development strategy is to attempt to bring the Project into production within the next 24 months.

The remaining 8 Blocks are also located within the same geological coal basin, termed the Cotabato Basin, and have recently been proven to be coal bearing through a combination of drilling, pitting and trenching. Dwyka considers these Blocks to be highly prospective, with the potential to be of similar size or even exceeding the two main Blocks.

Historical analysis of the coal present at the Project suggests that it is of medium calorific value, approximately 5,300-5,500 Kcal/kg, making it suitable for both the export market to India and China and for in-country power stations and industrial (cement production) purposes. The Philippines has ready demand for coal for power stations. Other coal miners in The Philippines are already exporting similar calorific value coal to India, China and Hong Kong.

Since the year end drilling has commenced at the Project with early positive drilling results to verify the previously completed work.

It is anticipated that Project costs through to January 2009, including initial option exercise expenses as well as costs related to drilling and exploration, equipment purchases and staffing will be in the order of GBP10m. Further staged payments will be payable should Dwyka elect to increase its Project interest above 30%.

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OPERATIONS AND FINANCIAL REVIEW

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

Dwyka has an agreement with South African based 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.

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 the 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. During the year a combination of rock chip sampling, trenching, pitting and drilling at the 3 main targets, Daisy, Kobolondo and Lufafa were undertaken. Results to date endorse Dwyka's preliminary review with core drilling at the Daisy Prospect returning gold values including 3.39 g/t over 10m, with one high grade intersection of 16.56 g/t over 1 metre.

Dwyka issued 3,962,757 ordinary shares and paid \$US200,000 to earn an initial 50% interest in SGV. The Company has until 28 February 2009 to increase its interest to 70% by completing a total of \$US750,000 in exploration expenditure and paying a further \$US200,000 plus issuing 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 ordinary shares. Further share based 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. A summary of the Kabanga resource prepared in 2006 was as follows.

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OPERATIONS AND FINANCIAL REVIEW

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 a minimum of US\$5.2 million (A\$6.5 million) on the project, to earn up to a maximum of 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.

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

- **Stage 1** - the commitment of a minimum of \$US1.2 million to fund initial exploration to earn 10% equity in Danyland.
- **Stage 2** - investment of a minimum 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.

By the end of the year BHP Billiton had completed the Stage 1 exploration activities. The Company and BHP Billiton are discussing the mechanism by which BHP Billiton is to be issued with a 10% of the equity in Danyland, in conjunction with agreeing to a better definition of the exploration activities that will satisfy the completion of the Stage 2 exploration programme. As a consequence, Dwyka's consolidated accounts continue to be based on Dwyka holding 100% of Danyland.

Work completed during the year included the drilling of 4 stratigraphic drill holes and the completion of a VTEM airborne survey covering 5,684 km. The results of the work during the year led Dwyka to the conclusion that the Muremera geological environment is confirmed to be similar to that at the nearby Kabanga deposit.

KimCor Diamonds Plc (48.2%)

Effective from 21 September 2007 Dwyka completed a transaction with KimCor Diamonds Plc whereby KimCor would acquire Dwyka Resources' diamond and industrial assets, thereby being one of the lead participants in the consolidation of the diamond sector. The transaction established KimCor as a mid tier diamond producer by volume and the company raised GBP4.26m in fresh capital.

During the year KimCor focused on increasing production from the De Beers Tailings Retreatment Project (SMI4) and underground production from Newlands and Blaauwbosch as well as from the Nooitgedacht Alluvial Property. Month on month diamond production increased significantly during the year and by year end was averaging approximately 5,000 carats per month.

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Since December 2007 the Company has reclassified its shareholding in KimCor as non-current available for sale as it expects the investment will be recovered principally through a sale transaction rather than through the long term receipt of dividend income. As at 30 June 2008 the Company impaired the value of this asset to reflect the fair value, less estimated disposal costs, of the shareholding in KimCor.

Corporate

As at 30 June 2008 the Company completed a substantial equity raising at GBP0.26 (AUD0.54) per ordinary share. This capital raising provided AUD20.6 million in cash after issue costs; all of which was repatriated into the Company's bank accounts by 8 July 2008. Dwyka's board is currently reviewing its expenditure priorities given the current turmoil in international financial markets and our view that raising fresh equity capital will be extremely difficult in the short to medium term. In this altered market climate, preservation of cash resources has become far greater in importance.

During the year the Company reduced its debt position by extinguishing its GBP1 million convertible note liability by the issue of 2,777,778 ordinary shares.

Operating Results

The results for the financial year were impacted by the effect of the KimCor Diamonds Plc transaction. This transaction resulted in a significant accounting profit for the Group.

The technical exploration and mining information contained in this Notice has been reviewed and approved by Ed Nealon. Mr Nealon is a Dwyka Resources Limited Director and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and as a qualified person under the AIM Guidance Note for Mining, Oil and Gas Companies. Mr Nealon is a member of the Australian Institute of Mining and Metallurgy.

Mr Nealon consents to the inclusion in this announcement of such information in the form and context in which it appears.

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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 2008.

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 T McConnachie

Mr A Griffin was a director at the beginning of the financial year until his resignation as a director on 30 October 2007.

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 34 to the accounts.

Principal activities

The principal continuing activities of the Group during the course of the financial year were mineral exploration and evaluation. The exploration, evaluation and mining of diamonds became a discontinued activity during the financial year.

Dividends

No amounts were paid by way of dividend since the end of the previous financial year (2007: Nil). 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 July 2007 the Company extinguished in full a GBP1,000,000 convertible note liability by the issue of 2,777,778 ordinary shares at an issue price of GBP 0.36 (AUD0.74);
- In July 2007 the Company 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 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;
- In July 2007 the Company completed the purchase of an initial 50% interest in Swazi Gold Venture (Pty) Ltd by the issue of 3,962,757 ordinary shares at AUD0.434 plus a cash payment of \$US200,000;
- In September 2007 the Company completed the sale of its portfolio of diamond and industrial assets to AIM listed KimCor Diamonds Plc. This transaction resulted 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; and
- In June 2008 the Company completed a placement to UK institutional and professional investors to raise AUD21,463,000 (before share issue costs) by the issue of 39,745,500 ordinary shares at GBP0.26 (AUD0.55).

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.

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DIRECTORS' REPORT

Matters subsequent to the end of the financial year

Since the end of the financial year the Group has:

- In July 2008 the Company exercised an option to acquire all the issued capital of Asian Coal Resources Limited (“ACRL”). In turn, ACRL and its local Philippine partner, MANA Resources Development Corporation (“MRDC”), concurrently exercised their options permitting those companies to acquire an initial collective interest of 30% by 18 January 2009 in each of Daguma Agro-Minerals, Inc. (“DAMI”) and Bonanza Energy Resources, Inc (“BERI”). DAMI and BERI are the holders of the Daguma and Bonanza coal deposits which constitute the Daguma Coal Project (“Project”).

As a result of the exercise of the ACRL Option, Dwyka has paid US\$1.25 million to Tomori Enterprises Limited (“Tomori”) and issued a total of 17,494,071 new ordinary shares to Tomori at an issue \$0.40 per ordinary share, by way of option payments and as consideration for the ongoing provision by Tomori of certain Project-related services pursuant a services agreement with Tomori.

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.

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DIRECTORS' REPORT

Information on directors

E F G Nealon BSc. Geol (Hons), MSc. Geol, MAusIMM. *Non-executive Chairman.* Aged 57

Experience and expertise

Appointed April 2001, Mr Nealon is a qualified geologist with over 30 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 (2007 – 2,064,129)

M J Sturgess BSc, MBA. *Chief Executive Officer.* Aged 42

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 Kimcor Diamonds PLC and Washington Resources Limited.

Former directorships in last 3 years

Sylvania Resources Limited and Churchill Mining PLC

Special responsibilities

Chief Executive Officer, Member of Audit Committee.

Interests in shares and options

2,069,855 ordinary shares (2007 – 2,069,855)

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DIRECTORS' REPORT

T M McConnachie. *Non-executive director. Aged 52*

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 (2007 None)

E Kirby BSc (Hons) Metallurgy, PhD Metallurgy, MAusIMM, MSthAfrIMM. *Non-executive director. Aged 57*

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 Wedgetail Exploration NL

Former directorships in last 3 years

Sylvania Resources Limited

Special responsibilities

None

Interests in shares and options

1,016,129 ordinary shares (2007 1,016,129)

M J Langoulant B Com, CA. *Finance director and Company Secretary. Aged 51*

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

Managing director of White Cliff Nickel Limited

Former directorships in last 3 years

None.

Special responsibilities

Company secretary and Member of Audit Committee

Interests in shares and options

1,016,129 ordinary shares (2007 1,016,129)

Company secretary

The company secretary since July 2004 has been M Langoulant.

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DIRECTORS' REPORT

Meetings of directors

During the financial year there were sixteen 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>
E Nealon	17	17	2	-
M Sturgess*	17	17	2	2
M Langoulant*	17	17	2	2
E Kirby	17	16	2	-
T McConnachie	17	16	2	-
A Griffin	11	11	1	-

* 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
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information in this remuneration report has been audited as required by section 308 (3c) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

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 (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 40.

B *Details of remuneration*

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 Mark Burchnall (Manager – Strategic Development). In the year ended 30 June 2007 and in the period to 21 September 2007 Mr Bredenkamp (Managing Director, South Africa) was also considered key management personnel.

The named executives of the Group and parent are also the five highest paid executives of the Group.

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DIRECTORS' REPORT

Remuneration report (continued)

B Details of remuneration (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 with the exception of C Bredenkamp who was an employee of a subsidiary company.

2008

Name	Short-term benefits		Post-employment Superannuation	Share and option based payments	Total
	Base fees	Salary and consultancy			
	\$	\$	\$	\$	\$
<i>Executive directors</i>					
M Sturgess	35,000	251,083	3,150	31,127	320,360
M Langoulant	35,000	54,000	3,150	31,258	123,408
<i>Non-executive directors</i>					
E Nealon	35,000	-	3,150	31,127	69,277
E Kirby	35,000	50,004	3,150	23,411	111,565
A Griffin	11,699	22,801	2,111	52,261	88,872
T McConnachie	35,000	-	-	-	35,000
<i>Other key management</i>					
M Burchnall	-	51,605	4,129	23,812	79,546
C Bredenkamp	-	32,790	-	33,441	66,232
Total	186,699	462,283	18,840	226,438	894,260

2007

<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
A Griffin	35,000	136,759	15,975	44,135	231,869
<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
T McConnachie	6,616	-	-	-	6,616
<i>Other key management</i>					
C Bredenkamp	18,363	131,161	-	55,506	205,030
Total	199,979	625,124	28,575	397,275	1,250,953

C Service agreements

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.

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DIRECTORS' REPORT

Remuneration report (*continued*)

D *Share-based compensation*

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 and the annual report shares issued under the share plan with an interest free loan has not been repaid are considered options.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report (continued)

D Share-based compensation (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
20 March 2007	30 June 2010	\$0.52	\$0.375	50% on each anniversary
2 November 2007	30 June 2010	\$0.31	\$0.98	fully vested
2 November 2007	30 June 2009	\$0.95	\$0.98	fully vested

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

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

Grant date	Attaching loan expiry date	Issue price of shares	Value of shares at grant date	Date vested/exercisable
21 December 2005	21 December 2008	\$0.87	\$0.67	33% on each anniversary
21 December 2005	21 December 2008	\$0.87	\$0.67	33% on each anniversary
12 April 2006	12 April 2009	\$1.00	\$0.78	33% on each anniversary
1 December 2006	1 December 2009	\$1.00	\$0.60	33% on each anniversary
11 December 2007	11 December 2010	\$0.915	\$0.92	33% on each anniversary

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	
	2008	2007	2008	2007
Directors of Dwyka Resources Limited				
M J Sturgess	-	-	-	666,667
A Griffin	-	1,000,000	333,333	-
E F G Nealon	-	-	-	666,667
E Kirby	-	-	333,333	333,333
M J Langoulant	-	-	333,333	333,333
T McConnachie	-	-	-	-
Other key management personnel of the Group				
M Burchnell	250,000	-	-	-
C J Bredekamp	-	250,000	-	166,667

There were no employee plan options forfeited or cancelled during the financial year.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration report (continued)

D Share-based compensation (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 2008 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 loan period
- (b) expected price volatility of the company's shares: 60% (2007: 60%)
- (c) expected dividend yield: nil (2007: nil)
- (d) risk-free interest rate: 6.2% (2007: 5.8%).

Shares provided on exercise of remuneration options

During the year 1,825,000 (2007 - Nil) ordinary shares in the company were provided as a result of the exercise of remuneration options.

E Additional information

The remuneration of key management personnel 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	44.9%	-	-	-	-
M Sturgess	9.7%	-	-	-	-
E Kirby	21.0%	-	-	-	-
M Langoulant	25.3%	-	-	-	-
A Griffin	58.8%	-	-	-	-
T McConnachie	0%	-	-	-	-
M Burchnall	29.9%	56,950	-	-	56,950
C Bredenkamp	50.5%	-	-	-	-

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
2 November 2007	30 June 2010	\$0.31	500,000
2 November 2007	30 June 2009	\$0.95	<u>450,000</u>

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

During the year 1,825,000 ordinary shares were issued following the exercise of 1,000,000 options at \$1.00 and 825,000 options at \$0.52. No other 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.

DWYKA RESOURCES LIMITED

DIRECTORS' REPORT

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit services				
Auditor of the parent entity				
- Australian firm	162,674	110,300	162,674	110,300
- Related practices of Australian firm	-	93,078	-	6,907
- Other firms	7,178	7,737	-	4,423
	169,852	211,115	162,674	121,630

Remuneration for other services:

Services received from related practices of the Australian firm in relation to the audit of a subsidiary and other services in relation to the sale of that subsidiary

	102,000	-	102,000	-
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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.

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 20.

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: 26 September 2008

Auditor's Independence Declaration

As lead auditor for the audit of Dwyka Resources Limited for the year ended 30 June 2008, 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
26 September 2008

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 Limited ("**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.

The Company has undertaken a review of its governance documentation as a consequence of the revision to the ASX Principles and Recommendations. The Company will be reporting against the revised ASX Principles and Recommendations in its next annual report.

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 2007/2008 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:	For a portion of the Reporting Period, the Board did not comprise a majority of independent directors.
Explanation for departure:	The Board composition had reflected previous shareholder expectation. However, following the resignation of a non independent director in October 2007, the Company now follows the recommendation as it has a majority of independent directors.
Principle:	2
Recommendation:	2.4 – The Board should establish a Nomination Committee
Notification of departure:	A separate nomination committee has not been formed.

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

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: 4.3: 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: 9

Recommendation: 9.2 – 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 one meeting during the reporting period. All members attended the meeting.

DWYKA RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The Audit Committee consists of Melissa Sturgess and Mike Langoulant. 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.

Both of the Audit Committee members consider themselves to be financially literate and have industry knowledge. Further, Mr Langoulant's qualifications and experience as a Chartered Accountant enable him to meet the test of financial expertise.

Remuneration committee

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

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

Other

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

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of independent directors

In considering the independence of directors, the Board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("**Independence Criteria**"). 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 Board Charter, which is disclosed in full on the Company's website.

Applying the Independence Criteria, the independent directors of the Company are Edward Nealon, Evan Kirby and Terrence McConnachie.

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. In considering the overall structure of the Board and given the Company's future direction, the Board made compositional changes.

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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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
Suite 2, 5 Ord 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 26 September 2008. The directors have 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 2008

	Notes	Consolidated 2008 \$000	2007 \$000	Parent entity 2008 \$000	2007 \$000
Revenue from continuing operations					
Other revenue	5	139	251	107	757
		139	251	107	757
Profit on sale of controlled entities		-	-	541	-
Loss on sale of investments		(5)	-	(5)	-
Loss on sale of associate		(63)	-	(84)	-
Share of loss of associate using equity method		(822)	-	-	-
Other expenses from continuing operations					
Administration	6	(3,635)	(3,210)	(3,520)	(3,110)
Impairment of assets	6/11	(7,181)	-	(8,122)	-
Impairment of exploration, evaluation and mining properties	6	-	(316)	-	(248)
Finance costs		-	(185)	-	(185)
Loss before income tax		(11,567)	(3,460)	(11,083)	(2,786)
Income tax (expense)/benefit	7	-	20	-	20
Loss from continuing operations		(11,567)	(3,440)	(11,083)	(2,766)
Profit/(loss) from discontinued operations	36	12,655	(12,920)	-	-
Profit/(loss) for the year		1,088	(16,360)	(11,083)	(2,766)
Net loss attributable to minority interest	28	-	-	-	-
Net loss attributable to members of Dwyka Resources Limited	27	1,088	(16,360)	(11,083)	(2,766)
		Cents	Cents		
Basic earnings/(loss) per share	39	0.1	(17.4)		
Diluted earnings/(loss) per share	39	0.1	(17.4)		

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

DWYKA RESOURCES LIMITED

BALANCE SHEETS

AS AT 30 JUNE 2008

	Notes	Consolidated		Parent entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
ASSETS					
Current assets					
Cash and cash equivalents	8	472	4,265	442	3,828
Trade and other receivables	9	20,876	815	20,809	16,896
Inventories	10	-	456	-	-
Non-current asset classified as held for sale	11	11,417	-	11,417	-
Total current assets		32,765	5,536	32,668	20,724
Non-current assets					
Receivables	13	233	-	1,204	102
Other financial assets	14	84	233	10,266	4,442
Property, plant and equipment	15	66	5,928	37	98
Exploration, evaluation and mining properties	16	11,285	6,579	-	-
Other	17	-	290	-	-
Total non-current assets		11,668	13,030	11,507	4,642
Total assets		44,433	18,566	44,175	25,366
LIABILITIES					
Current liabilities					
Trade and other payables	19	815	4,460	747	417
Borrowings	20	-	2,449	-	2,249
Provisions	21	-	212	-	7
Total current liabilities		815	7,121	747	2,673
Non-current liabilities					
Borrowings	22	321	4,029	-	-
Provisions	23	-	221	-	-
Total non-current liabilities		321	4,250	-	-
Total liabilities		1,136	11,371	747	2,673
Net assets		43,297	7,195	43,428	22,693
EQUITY					
Contributed equity	25	97,116	65,580	97,116	65,580
Reserves	26	2,122	(1,356)	2,024	1,742
Accumulated losses	27	(55,941)	(57,029)	(55,712)	(44,629)
Parent entity interest		43,297	7,195	43,428	22,693
Total equity		43,297	7,195	43,428	22,693

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 2008

	Notes	Consolidated 2008 \$000	2007 \$000	Parent entity 2008 \$000	2007 \$000
Total equity at the beginning of the financial year		7,195	18,509	22,693	16,584
Exchange differences on translation of foreign operations	26	2,621	(3,205)	-	-
Changes in fair value of available-for-sale financial assets, net of tax	26	(145)	103	(145)	103
Net income recognised directly in equity		2,476	(3,102)	(145)	103
Profit/(loss) for the year		1,088	(16,360)	(11,083)	(2,766)
Adjustment for prior year losses recouped on minority interest		-	(49)	-	-
Total recognised income and expense for the year		3,564	(19,511)	(11,228)	(2,663)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of after tax transaction costs	25	31,536	8,887	31,536	8,887
Share based compensation	26	427	514	427	514
Cost of increased equity in subsidiary	26	575	(575)	-	-
Deferred share consideration on purchase of business units	26	-	(629)	-	(629)
		32,538	8,197	31,963	8,772
Total equity at end of the financial year		43,297	7,195	43,428	22,693
Total recognised income and expense for the year is attributable to:					
Members of Dwyka Resources Limited		3,564	(19,511)	(11,228)	(2,663)
		3,564	(19,511)	(11,228)	(2,663)

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 2008

	Notes	Consolidated 2008 \$000	2007 \$000	Parent entity 2008 \$000	2007 \$000
Cash flow from operating activities					
Receipts from customers (inclusive of goods and services tax)		2,382	8,534	1	134
Payments to suppliers and employees (inclusive of goods and services tax)		(6,264)	(13,535)	(2,906)	(2,671)
Interest received		107	196	107	161
Other income received		-	217	-	-
Finance costs		(193)	(438)	(193)	-
Net cash flow used in operating activities	38	<u>(3,968)</u>	<u>(5,026)</u>	<u>(2,991)</u>	<u>(2,376)</u>
Cash flow from investing activities					
Payments for exploration, evaluation and development of mining properties		(1,003)	(760)	-	(248)
Proceeds from sale of associate		673	-	673	-
Payments for plant and equipment		(13)	(1,457)	(13)	(2)
Proceeds from sale of plant and equipment		-	59	-	-
Proceeds from sale of controlled entity		-	188	-	188
Loans to controlled entities		-	-	(1,723)	(4,469)
Loans to other parties		(233)	(614)	(233)	-
Loans to other parties repaid		-	1	-	1
Payment for acquisition of controlled entity, net of cash acquired		(207)	-	(207)	-
Business unit acquisition - cash acquired		-	123	-	-
Payment for acquisition of increased subsidiary interest	26	-	(575)	-	-
Proceeds from the sale of unrelated investments		-	17	-	17
Cash disposed of on sale of discontinued operations	36	(229)	-	-	-
Net cash flow used in investing activities		<u>(1,012)</u>	<u>(3,018)</u>	<u>(1,503)</u>	<u>(4,513)</u>
Cash flow from financing activities					
Proceeds from issue of shares	25	1,446	5,000	1,446	5,000
Payments for equity issue costs		-	(300)	-	(300)
Proceeds from borrowings		-	858	-	-
Repayment of borrowings		-	(174)	-	-
Net cash flow from financing activities		<u>1,446</u>	<u>5,384</u>	<u>1,446</u>	<u>4,700</u>
Net decrease in cash held		(3,535)	(2,660)	(3,048)	(2,189)
Cash at the beginning of the financial year		4,265	6,286	3,828	6,051
Effects of exchange rate changes on cash and cash equivalents		(258)	639	(338)	(34)
Cash and cash equivalents held at the end of the financial year	8	<u>472</u>	<u>4,265</u>	<u>442</u>	<u>3,828</u>
Non-cash financing and investing activities	38				

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

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

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 IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial report of Dwyka Resources Limited complies with International Financial Reporting Standards (IFRS).

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.

(b) Principles of consolidation

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 2008 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.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(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.

Where the investment will be recovered principally through a sale transaction rather than through continuing use it will be accounted for as a non-current asset held for sale and measured at fair value at reporting dates. Any impairment of the investment will be recognised in the income statement (refer to note 1n).

(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.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

1 Summary of significant accounting policies (continued)

(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. 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

Interest income is recognised on a time proportionate basis using the effective interest rate method.

(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.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

1 Summary of significant accounting policies (continued)

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.

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.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

1 Summary of significant accounting policies (continued)

(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 15) 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.

Collectability 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 2008

1 Summary of significant accounting policies (continued)

(l) Inventories

Inventories, which in 2007 included 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.

Subsequent measurement

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 2008

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) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment of the investment will be recognised in the income statement.

(o) Property, plant and equipment

Property, plant and equipment is 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 2008

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 2008

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 had 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.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

1 Summary of significant accounting policies (continued)

(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.

(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.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

1 Summary of significant accounting policies (continued)

(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.

(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 2008 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 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) *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]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

1 Summary of significant accounting policies (continued)

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*

AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

(vi) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The new rules will apply to financial reporting periods commencing on or after 1 January 2009. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in an internal re-organisation it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to AASB 5 Non-current Assets Held for Sale and Discontinued Operations regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The Group will apply the revised standards from 1 July 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

2 Financial risk management

The Group's activities expose it predominantly to credit risk, interest rate risk and foreign exchange 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. No derivative financial instruments have been used in the management of risk.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Financial assets				
Cash and cash equivalents	472	4,265	442	3,828
Trade and other receivables	21,109	815	22,013	16,998
Available-for-sale financial assets	84	233	84	233
Other financial assets	-	-	10,182	4,209
	21,665	5,313	32,721	25,268
Financial liabilities				
Trade and other payables	815	4,460	747	417
Borrowings	321	6,478	-	2,249
	1,136	10,938	747	2,666

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 credit risk in relation to cash and cash equivalent assets by only utilising the services of the Australian "Big 4" banks for Australian held cash assets and for international cash holdings recognised international financial institutions are used.

The Group no longer has a significant credit risk in relation to trade receivables as those companies which dealt with external customers are no longer controlled entities of the Group. Of the trade and other receivables \$20,617,000 was fully converted into in cash by 8 July 2008.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

2 Financial risk management (continued)

Market risk

(a) 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.

Sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the GBP with all other variables held constant, the Group and parent entity's post-tax profit for the year would have been \$37,000 lower/\$44,000 higher (2007 loss – \$65,000 higher/\$80,000 lower), mainly as a result of foreign exchange gains/losses on translation of GBP denominated cash equivalents. For both the Group and parent equity would have been \$2,220,000 higher/\$2,005,000 lower (2007 – \$80,000 higher/\$65,000 lower) had the Australian dollar weakened/strengthened by 10% against the GBP, arising mainly from translation of the GBP denominated share placement completed on 30 June 2008. The Group's exposure to other foreign exchange movements is not material.

(b) Price risk

As at 30 June 2008 the Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group in KimCor Diamonds plc. This asset was acquired as a result of the Group disposing of its diamond and industrial divisions during the financial year (refer note 33) and it is classified on the balance sheet as non-current assets held for sale.

Neither the Group nor the parent entity are currently exposed to commodity price risk. As at 30 June 2007 certain companies within the Group were exposed to fluctuations in the prices of rough diamonds.

Sensitivity

Based on the financial instruments held at 30 June 2008, if the market value of the non-current held for sale assets was plus/minus 10% higher at 30 June 2008 then all other variables held constant, the Group and Parent entity's post-tax profit for the year would have been \$1,142,000 (2007 - \$23,000) higher/lower. Equity for both the Group and parent would have been \$1,150,000 (2007 – nil) higher/lower.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

2 Financial risk management (continued)

(c) Interest rate risk

The Group and parent are exposed to fluctuations in interest rates. Interest rate risk is managed by maintaining a mix of floating rate deposits. As at 30 June 2008 neither the Group nor the parent had interest bearing borrowings. As at 30 June 2007 certain companies within the Group had interest bearing borrowings however these companies are no longer part of the Group. As at 30 June 2007 the parent had a GBP1 million convertible note liability that attracted an annual interest rate of 8%. This convertible note was converted to ordinary shares in July 2007.

The group holds no interest rate derivative financial instruments.

Sensitivity

At 30 June 2008, if interest rates had changed by +/- 50 basis points and all other variables were held constant, the Group's after tax loss would have been \$11,000 (2007 - \$21,000) lower/higher as a result of higher/lower interest income on cash and cash equivalents.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are only invested in "AAA" rated financial institutions

As at the reporting date the Group has no access to undrawn credit facilities.

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.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

3 Critical accounting estimates and judgments

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*

In the year ended 30 June 2007 the Group estimated the future removal costs of mine operations disturbances. In most instances, removal of assets occurs some years into the future. This required 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. The companies which had these rehabilitation obligations are no longer controlled entities of the Group

(b) Critical judgments

(i) *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.

In the year ended 30 June 2008 the Group and parent have made a significant judgement about the fair value and impairment of a non-current asset held for sale in accordance with AASB 5 *Non-current assets held for sale and discontinued operations* and AASB 136 *Impairment of assets*. The fair value of this asset was determined using the market value of this asset at balance date.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

4 Segment information

During the year the Group operated primarily in two geographical segments being Africa and Australia.

Until September 2007 the Company had 2 divisions organised by industry distinction. The mining division incorporated both hard rock and alluvial diamond mining and exploration for mineral resources; while the industrial division incorporated the production and sale of bricks and cement using waste material from mining operations as a source material. The companies that owned hard rock and alluvial diamond mining plus the entire industrial division are no longer controlled entities of the Group.

Primary reporting segment – geographical segments

	Australia		Africa		India		Discontinued operations		Inter-segment eliminations/unallocated		Consolidated	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
External sales	-	-	-	-	-	-	-	8,267	-	-	-	8,267
Total sales revenue	-	-	-	-	-	-	-	8,267	-	-	-	8,267
Other revenue	-	87	32	-	-	-	-	339	-	-	32	426
Inter-segment revenue	-	483	-	-	-	-	-	-	-	(483)	-	-
Total segment revenue	-	570	32	-	-	-	-	8,606	-	(483)	32	8,693
Unallocated revenue									107	196	107	196
Total revenue											139	8,889
Result												
Segment result	(3,376)	(2,513)	(905)	(3)	-	(330)	12,655	(12,988)	(213)	(2,488)	8,161	(17,992)
Unallocated revenue net of unallocated expenses											(7,073)	11
Profit/(loss) before tax											1,088	(17,981)
Income tax benefit											-	1,621
Profit/(loss) after tax											1,088	(16,360)
Assets												
Segment assets	32,757	25,367	12,560	4,311	-	22	-	10,131	(884)	(21,243)	44,433	18,566
Unallocated assets											-	-
Total assets											44,433	18,566

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

4 Segment information (continued)

	Australia		Africa		India		Discontinued operations		Inter-segment eliminations/unallocated		Consolidated	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Liabilities												
Segment liabilities	747	426	1,854	629	-	3,220	-	34,014	(1,465)	(25,945)	1,136	9,122
Unallocated liabilities											-	2,249
Total liabilities											1,136	11,371
Acquisition of property plant and equipment and other non- current segment assets	13	2	-	42	-	-	-	12,156	-	-	13	12,200
Other non-cash expenses	-	-	-	-	-	-	-	-	427	469	427	469
Depreciation and amortisation expense	74	43	18	-	-	-	-	854	-	-	92	897
Impairment of assets												
- plant and equipment	-	-	-	-	-	-	-	3,319	-	-	-	3,319
- other financial assets	-	-	-	-	-	-	-	24	-	-	24	24
- non-current asset held for sale	-	-	-	-	-	-	-	-	7,181	-	7,181	-
- exploration and evaluation and mining properties	-	-	-	-	-	316	-	7,064	-	-	-	7,380

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	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Mining	-	-	22,730	4,269	7,075	4,269
Industrial	-	-	-	-	-	-
Discontinued operations	2,495	8,267	-	9,562	-	7,928
	2,495	8,267	22,730	13,831	7,075	12,197
Unallocated assets			21,703	4,735		
Total assets			44,433	18,566		

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

5 Revenue

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Other revenue from continuing operations				
Interest received	107	161	107	161
Foreign exchange gains	-	87	-	87
Management fees	-	-	-	483
Other revenue	32	3	-	26
	139	251	107	757

6 Expenses

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Profit/(loss) before income tax expense includes the following specific expenses:				
Other charges against assets:				
Impairment of non-current asset held for sale	(7,181)	-	(7,983)	-
Impairment of related company loans	-	-	(139)	82
Impairment of exploration expenditure and mineral properties, including write off of current year exploration	-	316	-	248
Administration includes the following:				
Auditor fees	272	211	265	122
Consulting expenses	844	739	815	739
Depreciation of buildings, plant and equipment	92	43	74	43
Directors fees	187	200	187	200
Employee benefits expense	132	357	132	357
Foreign exchange loss	145	-	145	-
Legal fees	245	262	245	262
Other expenses	1,195	869	1,138	858
Rental expenses related to operating leases	96	60	92	60
Share based compensation	427	469	427	469

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

7 Income tax

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Income statement				
<i>Current income tax</i>				
Current income tax charge	-	-	-	-
<i>Deferred income tax - (Note 24)</i>				
(Decrease) in deferred tax liability - continuing operations	-	(20)	-	(20)
(Decrease) in deferred tax liability - discontinued operations	-	(1,601)	-	-
Income tax benefit reported in income statement	-	(1,621)	-	(20)
Statement of changes in equity				
<i>Deferred tax expense</i>				
Share issue costs	-	(23)	-	(23)
Available-for-sale financial assets	-	43	-	43
Income tax benefit reported in equity	-	20	-	20
Unrecognised deferred tax balances				
Unrecognised deferred tax assets – Revenue losses	1,094	3,404	981	695
Unrecognised deferred tax assets - Capital losses	4,324	431	4,324	431
Unrecognised deferred tax assets – Temporary differences	2,769	1,549	3,410	4,333
Net unrecognised deferred tax assets	8,187	5,384	8,715	5,459

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

7 Income tax (continued)

	Consolidated	2007	Parent entity	2007
	2008	\$000	2008	\$000
	\$000	\$000	\$000	\$000
Reconciliation to income tax (benefit)/expense to prima facie tax (benefit)/expense				
(Loss) from continuing operations before income tax benefit	(11,567)	(3,460)	(11,083)	(2,786)
Profit/(loss) from discontinuing operations before income tax benefit	12,655	(14,521)	-	-
	<u>1,088</u>	<u>(17,981)</u>	<u>(11,083)</u>	<u>(2,786)</u>
Income tax expense/(benefit) @ 30% (2007 – 30%)	326	(5,394)	(3,325)	(836)
Difference in overseas tax rates	2	46	-	-
Tax effect on amounts which are not deductible/(assessable)				
Share-based payments	128	141	128	141
Foreign expenditure	648	510	648	510
Gain on sale of foreign subsidiary	(3,838)	-	-	-
Impairment of exploration/mine property	-	282	-	-
Sundry items	102	148	102	89
	<u>(2,632)</u>	<u>(4,267)</u>	<u>(2,477)</u>	<u>(96)</u>
Benefit of tax losses and temporary differences not brought to account	2,632	2,646	2,477	76
Income tax (benefit) continuing operations	-	(20)	-	(20)
Income tax (benefit) discontinued operations	-	(1,601)	-	-

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

8 Current assets - Cash and cash equivalents

	Consolidated	2007	Parent entity	2007
	2008	\$000	2008	\$000
	\$000	\$000	\$000	\$000
Cash at bank and on hand *	114	541	84	104
Deposits at call	328	3,121	328	3,121
Term deposits	30	603	30	603
	<u>472</u>	<u>4,265</u>	<u>442</u>	<u>3,828</u>

Interest earned from cash accounts and deposits ranged from 0% to 7.9% per annum (2007: 0% - 6.10%). The term deposits have an average maturity of 30 days.

* The net proceeds of the Company's share issue on 30 June 2008 amounting to \$20,617,000, was received into the Company's bank account on 4 and 8 July 2008.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

9 Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade debtors	-	869	-	-
Less provision for impairment of receivables	-	(240)	-	-
	-	629	-	-
Loans to related parties (refer note 32)	-	-	-	28,654
Less impairment of loans to related parties	-	-	-	(11,834)
	-	-	-	16,820
GST/VAT refund	72	154	72	68
Share placement proceeds, net of issue costs	20,617	-	20,617	-
Other debtors	187	32	120	8
	20,876	815	20,809	16,896

The net proceeds of the Company's share issue on 30 June 2008, net of costs, amounting to \$20,617,000, was received into the Company's bank account on 4 and 8 July 2008.

The loans to related parties were impaired in the year ended 30 June 2007 to reflect the underlying business in those related party companies. The aging of these loans was greater than 6 months. These loans were disposed of during the financial year in exchange for shares in a company that are now a non-current asset held for sale.

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.

In the year ended 30 June 2007 the Group recognised a loss \$398,000 in respect of bad and doubtful trade receivables. The loss is included in discontinued operations in the income statement.

10 Current assets - Inventories

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Raw materials, at cost	-	125	-	-
Finished goods, at cost	-	161	-	-
Rough diamonds, at net realisable value	-	170	-	-
	-	456	-	-

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

11 Current assets – Non-current asset held for sale

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Transferred from non-current assets, (refer note 12)	18,598	-	19,400	-
Impairment charged to income statement	(7,181)	-	(7,983)	-
	11,417	-	11,417	-

An impairment charge has been raised to reflect the fair value less estimated cost of sale of the asset as at 30 June 2008.

12 Non-current assets – Investments accounted for using the equity method

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Shares in associates, at acquisition	20,157	-	20,157	-
Disposals	(737)	-	(757)	-
Equity accounted loss	(822)	-	-	-
	18,598	-	19,400	-
Transferred to non-current asset held for sale	(18,598)	-	(19,400)	-
	-	-	-	-

In September 2007 the Company sold its subsidiaries that held diamond mining and exploration assets and the industrial division assets in exchange for shares in KimCor Diamonds Plc. As a result KimCor Diamonds Plc became an associate company and as at year end the Company held a 48.2% interest in KimCor Diamonds Plc. The Company accounted for this investment using the equity method up to 31 December 2007. In accordance with AASB 5: *Non-current Assets Held for Sale and Discontinued Operations* effective as from 1 January 2008 the Company has classified this investment as being held for sale – refer note 11 as the Company expects the investment will be recovered principally through a sale transaction rather than through the long term receipt of dividend income

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13 Non-current assets – Receivables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Non-current				
Loan to others	233	-	233	-
Loans to related parties (refer note 32)	-	-	1,468	102
Less impairment of loans to related parties	-	-	(497)	-
	233	-	1,204	102

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

The loans to related parties were impaired in the year ended 30 June 2008 to reflect the underlying business in those related party companies. The aging of these loans is greater than 6 months.

14 Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Available-for-sale financial assets				
Opening balance	233	103	233	103
Disposals	(5)	(16)	(5)	(16)
Revaluation charged to equity	(144)	146	(144)	146
	84	233	84	233
Other (non traded investments)				
Shares in other corporations				
- controlled entities, at cost	-	-	12,402	7,030
- less impairment of investment	-	-	(2,220)	(2,821)
- other entities	21	21	21	21
- less impairment of investment	(21)	(21)	(21)	(21)
	-	-	10,182	4,209
Closing balance	84	233	10,266	4,442

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

15 Non-current assets - Property, plant and equipment

Consolidated

	Freehold land & buildings \$000	Plant & equipment \$000	Leased assets \$000	Total \$000
At 1 July 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
Year ended 30 June 2008				
Opening net book amount	106	4,920	902	5,928
Additions	-	13	-	13
Disposal of subsidiaries	(106)	(4,775)	(902)	(5,783)
Depreciation charge	-	(92)	-	(92)
Closing net book	-	66	-	66
At 30 June 2008				
Cost	-	328	-	328
Accumulated depreciation	-	(262)	-	(262)
Net book amount	-	66	-	66

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

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

Parent

	Freehold land & buildings \$000	Plant & equipment \$000	Leased assets \$000	Total \$000
At 1 July 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
Year ended 30 June 2008				
Opening net book amount	-	98	-	98
Additions	-	13	-	13
Depreciation charge	-	(74)	-	(74)
Closing net book	-	37	-	37
At 30 June 2008				
Cost	-	277	-	277
Accumulated depreciation	-	(240)	-	(240)
Net book amount	-	37	-	37

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Exploration and evaluation costs	11,285	18,504	-	-
Impairment charges	-	(12,825)	-	-
	11,285	5,679	-	-
Mining properties	-	15,560	-	-
Impairment charges	-	(14,411)	-	-
Accumulated amortisation	-	(249)	-	-
	-	900	-	-
	11,285	6,579	-	-

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	5,679	4,853	-	-
Exploration property acquired during the year	6,059	4,209	-	-
Exploration and evaluation costs incurred during the year	1,003	392	-	248
Exploration and evaluation costs disposed of during the year	(1,456)	-	-	-
Expenditure written off	-	(316)	-	(248)
Impairment charge	-	(2,990)	-	-
Exchange translations	-	(469)	-	-
Closing balance	11,285	5,679	-	-

Mining properties

Opening balance	900	3,856	-	-
Mine property disposed of during year	(900)	-	-	-
Mine property acquired during the year	-	1,344	-	-
Mine development incurred	-	369	-	-
Expenditure written off	-	(369)	-	-
Impairment charge	-	(4,074)	-	-
Exchange translations	-	(226)	-	-
Closing balance	-	900	-	-

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.

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17 Non-current assets - Other

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Term deposit	-	290	-	-

The term deposits were 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.

18 Deferred tax asset

The balance comprises temporary differences attributable to:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<i>Amounts recognised in profit and loss:</i>				
Receivables from related companies	-	-	-	123
Accruals	49	23	49	23
Tax losses*	-	810	-	-
	49	833	49	146
Set-off against deferred tax liabilities (note 24)	(49)	(833)	(49)	(146)
	-	-	-	-

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

19 Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade payables	701	2,145	633	289
Other payables	114	2,315	114	128
	815	4,460	747	417

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 as at 30 June 2007 \$1,974,000 was settled by the issue of shares in July 2007.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

20 Current liabilities - Borrowings

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Secured				
Lease liabilities	-	200	-	-
Unsecured				
Convertible note	-	2,249	-	2,249
	-	2,449	-	2,249

The companies which had the secured lease liabilities are no longer controlled entities of the Group as at 30 June 2008.

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. In July 2007 these notes were converted into ordinary shares of the parent entity based on a conversion price of GBP0.36 \$0.74.

21 Current liabilities – Provisions

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Rehabilitation costs– opening balance	205	220	-	-
- exchange differences	-	(15)	-	-
- disposed of with sale of subsidiaries	(205)	-	-	-
Balance at end of year	-	205	-	-
Employee benefits	-	7	-	7
	-	212	-	7

The current rehabilitation provision related to ongoing rehabilitation requirements associated with the alluvial diamond mining operations that are no longer controlled entities of the Group as at 30 June 2008..

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

22 Non-current liabilities – Borrowings

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Secured				
Secured loan*	-	2,836	-	-
Lease liabilities	-	781	-	-
	-	3,617	-	-
Unsecured				
Convertible notes	-	-	-	-
Other loans	321	412	-	-
	321	412	-	-
	321	4,029	-	-

* In the year ended 30 June 2007 the Group had a fully drawn advance secured against a diamond tailings processing plant and equipment. This company with this borrowing and the plant and equipment is no longer a controlled entity of the Group as at 30 June 2008.

The companies with these lease liabilities are no longer controlled entities of the Group as at 30 June 2008. The other loans are non interest bearing and have no set date for repayment.

23 Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Rehabilitation costs– opening balance	221	305	-	-
- provision disposed on sale of subsidiaries during year	(221)	(73)	-	-
- finance costs	-	15	-	-
- exchange differences	-	(26)	-	-
Balance at end of year	-	221	-	-

The companies with these rehabilitation liabilities are no longer controlled entities of the Group as at 30 June 2008.

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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

24 Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<i>Amounts recognised in profit and loss:</i>				
Unrealised foreign gains on cash assets	48	26	48	26
Property plant and equipment	1	687	1	-
	49	713	49	26
<i>Amounts recognised directly in equity:</i>				
Convertible note	-	94	-	94
Available-for-sale financial assets	-	26	-	26
	-	833	-	146
Set-off against deferred tax assets (note 18)	(49)	(833)	(49)	(146)
	-	-	-	-
Movements				
Opening balance	-	1,601	-	-
(Credited)/debited in income statement	-	(1,621)	-	(20)
Charged to equity	-	20	-	20
Closing balance	-	-	-	-
Deferred tax liabilities to be settled within 12 months				
	-	3	-	3
Deferred tax liabilities to be settled after 12 months				
	49	(3)	49	(3)
	49	-	49	-

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

25 Contributed equity

(a) Share capital	Consolidated and Parent entity		Consolidated and Parent entity	
	2008 Shares	2007 Shares	2008 \$000	2007 \$000
Ordinary shares				
Ordinary shares fully paid	162,273,039	111,579,270	97,116	65,580
Employee share plan shares	8,816,667	8,000,001	-	-
Total contributed equity	171,089,706	119,579,271	97,116	65,580

(b) Movements in ordinary share capital:

Date	Details	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>

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

25 Contributed equity (continued)

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

Date	Details	Notes	Number of shares	Issue price	\$000
1/7/2007	Opening balance		111,579,270		65,580
2/7/2007	Employee share plan loan repaid – proceeds received		33,334	\$0.52	17
18/7/2007	Convertible note conversion		2,777,778	\$0.74	2,056
20/7/2007	Acquisition of subsidiary		3,962,757	\$1.45*	5,746
6/8/2007	Payment of final mine purchase consideration		2,349,400	\$0.84	1,974
19/9/2007	Employee options exercised		1,825,000	\$0.52 & \$1.00	1,429
30/6/08	Placement		39,745,500	\$0.54	21,569
	Less: issue transactions costs				(1,255)
30 June 2008	Balance		<u>162,273,039</u>		<u>97,116</u>

* An issue price of \$0.434 used to calculate the number of shares that formed the consideration was set upon entering into a Memorandum of Understanding in February 2007. This MOU was only finalised in July 2007 and the market price on the date of issue, \$1.45, has been used to calculate the issue price for accounting purposes in accordance with Accounting Standard AASB3

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

Date	Details	Notes	Number of shares	Issue price
1 July 2006	Opening Balance		7,000,001	
1 December 2006	Employee Share Plan issue		1,000,000	\$1.00
30 June 2007	Balance		8,000,001	
2 July 2007	Employee share plan loan repaid – shares transferred to ordinary share capital		(33,334)	\$0.52
11 December 2007	Employee share plan issue		850,000	\$0.915
30 June 2008	Balance		<u>8,816,667</u>	

The weighted average issue price of issued employee share plans shares is \$0.836. Refer to note 40 for details of the employee share plan.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

25 Contributed equity (continued)

(d) Share options

	Number of options	
	2008	2007
Options exercisable at \$0.31 on or before 30 June 2010	500,000	-
Options exercisable at \$0.95 on or before 30 June 2009	450,000	-
Employee option plan options (refer note 37)		
- at \$1.00 per share on or before 30 June 2009	-	1,000,000
- at \$0.52 per share on or before 30 June 2010	125,000	950,000
	1,075,000	1,950,000

(e) Movements in share options

To acquire ordinary fully paid shares at \$0.31 on or before 30 June 2010:		
Beginning of the financial year	-	-
Options issued during year	500,000	-
Balance at end of financial year	500,000	-
To acquire ordinary fully paid shares at \$0.95 on or before 30 June 2009:		
Beginning of the financial year	-	-
Options issued during year	450,000	-
Balance at end of financial year	450,000	-

Refer to note 40 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 40.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

26 Reserves

Movements in reserves during the year were:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<i>Available-for-sale investments revaluation reserve</i>				
Opening balance	62	(41)	62	(41)
Revaluation	(145)	146	(145)	146
Deferred tax	-	(43)	-	(43)
Closing balance	<u>(83)</u>	<u>62</u>	<u>(83)</u>	<u>62</u>
<i>Share-based payments reserve</i>				
Opening balance	1,461	947	1,461	947
Costs charged to equity	-	45	-	45
Expense for the year	427	469	427	469
Closing balance	<u>1,888</u>	<u>1,461</u>	<u>1,888</u>	<u>1,461</u>
<i>Foreign currency translation reserve</i>				
Opening balance	(2,523)	682	-	-
Currency translation differences	-	(3,205)	-	-
Transferred to income and expense upon disposal of subsidiary	2,621	-	-	-
Closing balance	<u>98</u>	<u>(2,523)</u>	<u>-</u>	<u>-</u>
<i>Convertible note premium reserve</i>				
Opening balance	219	219	219	219
Movement for year	-	-	-	-
Closing balance	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>
<i>Increased equity in subsidiary reserve</i>				
Opening balance	(575)	-	-	-
Transferred to income and expense upon disposal of subsidiary	575	-	-	-
Consideration paid on restructure of holding in subsidiary	-	(575)	-	-
Closing balance	<u>-</u>	<u>(575)</u>	<u>-</u>	<u>-</u>
<i>Deferred share issue reserve</i>				
Opening balance	-	629	-	629
Deferred share issue on acquisition	-	-	-	-
Transferred to current liability	-	(629)	-	(629)
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,122</u>	<u>(1,356)</u>	<u>2,024</u>	<u>1,742</u>

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

26 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 was been debited to this reserve in the year ended 30 June 2007. This reserve has been taken to income and expense during this period following the disposal of this subsidiary.

(vi) Deferred share issue reserve

In the year ended 30 June 2006 the Group acquired a new business unit. A portion of the consideration consisted of a deferred share issue. The shares which related to this reserve were issued in July 2007 and this amount was transferred from this reserve in the year ended 30 June 2007.

27 Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Balance at beginning of year	(57,029)	(40,669)	(44,629)	(41,863)
Net profit/(loss) attributable to members of Dwyka Resources Limited	1,088	(16,360)	(11,083)	(2,766)
Balance at end of financial year	<u>(55,941)</u>	<u>(57,029)</u>	<u>(55,712)</u>	<u>(44,629)</u>

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

28 Minority interest

	Consolidated	
	2008	2007
	\$000	\$000
Outside equity interest comprises:		
Reserves	-	91
Accumulated losses	-	(91)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

While the parent entity bears the responsibility for the minority interest's share of outgoings resulting from accumulated losses in excess of reserves and provides the 100% of subsidiary funding there is no minority interest. Minority interests in 2007 relate to operations disposed of during the year (refer to note 36 for details)

29 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

M Langoulant, Financial Director

(iii) Non-executive directors

A Griffin, until his resignation in October 2007

T McConnachie

E Kirby

(b) Other key management personnel

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

<i>Name</i>	<i>Position</i>
M Burchnall	Manager – Strategic Development

In addition C Bredenkamp, Managing Director – South Africa, was also considered part of key management personnel in the year ended 30 June 2007 and for the period to 21 September 2007.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

29 Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	648,982	825,103	616,192	675,579
Post-employment benefits	18,840	28,575	18,840	28,575
Share-based payments	226,438	397,275	192,996	341,768
	894,260	1,250,953	828,028	1,045,922

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.

2008	Balance at	Granted	Cancelled	Exercised	Balance at	Vested and
Name	the start of	during the	during	during	the end of	exercisable at the
	the year	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						
M Burchnall	-	-	-	-	-	-
C Bredenkamp	750,000	-	-	750,000	-	-
2007						
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

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

29 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.

2008 Ordinary shares

Name	Balance at the start of the year	Movement during the year	Balance at the end of the year
<i>Directors of Dwyka Resources Limited</i>			
M Sturgess	2,069,855	-	2,069,855
E Nealon	2,064,129	-	2,064,129
E Kirby	1,016,129	-	1,016,129
A Griffin	1,005,000	-	1,005,000
T McConnachie	-	-	-
M Langoulant	1,016,129	-	1,016,129
<i>Other key management personnel of the Group</i>			
M Burchnell	-	250,000	250,000
C Bredenkamp	12,660	-	12,660

2007 Ordinary shares

Name	Balance at the start of the year	Movement during the year	Balance at the end of the year
<i>Directors of Dwyka Resources Limited</i>			
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
<i>Other key management personnel of the Group</i>			
C Bredenkamp	12,660	-	12,660

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

30 Remuneration of auditors

	Consolidated 2008	2007	Parent entity 2008	2007
	\$	\$	\$	\$
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	162,674	110,300	162,674	110,300
- Related practices of Australian firm	-	93,078	-	6,907
- Other firms	7,178	7,737	-	4,423
	169,852	211,115	162,674	121,630
Remuneration for other services:				
Services received from related practices of the Australian firm in relation to the audit and disposal of that subsidiary				
	102,000	-	102,000	-

31 Contingencies/Commitments

(a) Contingent liabilities

The parent entity and Group had no known contingent liabilities as at 30 June 2008 (2007: Nil).

(b) Contingent assets

The parent entity and Group had no known contingent assets as at 30 June 2008 (2007: 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 at least US\$5,200,000. 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 minimum 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%

As at the reporting date Dwyka have acknowledged that BHPB has completed its obligations such that it can seek to be issued a 10% interest in Danyland. However as at reporting date the process by which BHPB's entitlement is confirmed and in what manner BHPB are issued their 10% interest in Danyland remains subject to finalisation. It is not anticipated that any transfer of interest will result in a loss to the Group.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

31 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. This date has since been extended to 28 February 2009	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 previously held leases various plant and equipment with a carrying amount of \$902,000 under finance leases with varying expiry dates. The companies holding these leases were no longer controlled entities of the Group as at 30 June 2008.

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Commitments in relation to finance lease are payable as follows:				
Within one year	-	200	-	-
Later than one year but no later than 5 years	-	753	-	-
Later than 5 years	-	28	-	-
Minimum lease payments	-	981	-	-
Represented by				
Current (note 20)	-	200	-	-
Non-current (note 22)	-	781	-	-
	-	981	-	-

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

32 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 34.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 29.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Parent entity	
	2008	2007
	\$	\$
Loans advanced to controlled entities		
Opening balance	16,922,367	12,679,507
- management fee charged to controlled entities	-	482,758
- cash advances to controlled entities	866,279	4,469,215
- deferred share consideration reserve	-	(629,496)
- loan recovered on sale of controlled entities	(16,678,515)	(161,848)
- (increase) in provision for loss on loans to related parties	(139,382)	82,231
Closing balance	970,749	16,922,367
Loans advanced to associate		
Opening balance	-	4,536,420
- cash advances to associate	-	613,780
- transferred loan to controlled entity on change from associate to controlled entity	-	(5,150,200)
Closing balance	-	-

(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. These loans are non- interest bearing and are available at call	970,749	16,922,367
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DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

33 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:

	\$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 did 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 in the year ended 30 June 2007.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

33 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)
	<hr/>	<hr/>
Net identifiable liabilities acquired	(715)	(715)

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

34 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 %	
			2008	2007
Swazi Gold Ventures *	South Africa	Ordinary	50	-
Danyland	British Virgin Islands	Ordinary	100	100
Danyland **	Burundi	Ordinary	100	-
Karrinyup Holdings	Mauritius	Ordinary	100	100
JJS & L Mining	South Africa	Ordinary	100	100
Supermix Mining	South Africa	Ordinary	-	70
Biz Afrika 546	South Africa	Ordinary	-	70
Basfour 254	South Africa	Ordinary	-	70
Dwyka Resources South Africa	South Africa	Ordinary	-	70
Kophia Diamonds	South Africa	Ordinary	-	70
Bellsbank Mining Number One	South Africa	Ordinary	-	70
Kohinoor Mining International	Mauritius	Ordinary	-	100
Dwyka Resources Holdings	Mauritius	Ordinary	-	70
Huntingdale Investments	Mauritius	Ordinary	-	100
Troon Investments	Mauritius	Ordinary	-	100
Tralee Investments	Mauritius	Ordinary	-	100
AMIL Mining India	India	Ordinary	-	100
Dwyka Alsami	Tanzania	Ordinary	-	100
Dwyka Tanzania	Tanzania	Ordinary	-	95
Superkolong Holdings	South Africa	Ordinary	-	70
Superkolong	South Africa	Ordinary	-	70
Superkolong Cement	South Africa	Ordinary	-	70
Superkolong Industrial	South Africa	Ordinary	-	70
Superkolong Bricks	South Africa	Ordinary	-	70

* Consolidated on the basis that the parent entity is providing the sole funding for this company's activities and that the parent entity has the option to earn up to a 90% interest in the company.

** Incorporated during the 2007/8 financial year.

35 Investments in associates

As at 30 June 2008 the Company holds 48.2% of KimCor Diamonds Plc. This investment is accounted for as a non-current asset held for sale – refer note 11.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

36 Discontinued operations

(a) Description

On 21 August 2007 the Company announced its intention to sell its diamond and industrial divisions to the AIM listed KimCor Diamonds Plc. This transaction was completed with effect from 21 September 2007 and the divisions disposed of are reported in this financial report as discontinued operations.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below. Further information is set out in note 4 – segment information.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 21 September 2007 (2008 column) and the year ended 30 June 2007.

	Consolidated	
	2008	2007
	\$000	\$000
Revenue	2,495	8,606
Expenses	(3,835)	(23,127)
Loss before income tax	(1,340)	(14,521)
Income tax benefit	-	1,601
Loss after income tax of discontinued operations	(1,340)	(12,920)
Gain on sale of the division before income tax	13,995	-
Income tax expense	-	-
Gain on sale of the division after income tax	13,995	-
Profit/(loss) from discontinued operations	12,655	(12,920)
Net cash outflow from operating activities	(870)	(2,650)
Net cash outflow from investing activities	(182)	(2,974)
Net cash inflow from financing activities	-	684
Net decrease in cash utilised by discontinued operations	(1,052)	(4,940)

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

36 Discontinued operation (continued)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 21 September 2007 (2008 column) and 30 June 2007 are:

	Consolidated	
	2008	2007
	\$000	\$000
Cash	229	427
Trade and other receivables	786	729
Inventories	606	456
Property, plant and equipment	5,327	5,786
Exploration, evaluation and mining properties	2,492	2,310
Other	298	290
Total assets	9,738	9,998
Trade and other payables	1,713	4,018
Provisions	832	395
Borrowings	3,888	4,229
Total liabilities	6,433	8,642
Net assets	3,305	1,356

(d) Details of the sale of the discontinued operations

	Consolidated	
	2008	2007
	\$000	\$000
Consideration received:		
Value of KimCor Diamonds Plc shares received	20,157	-
Total disposal consideration	20,157	-
Adjustment of reserves relating discontinued operations	(2,857)	-
Carrying amount of net assets sold	(3,305)	-
Gain on sale before income tax	13,995	-
Income tax expense	-	-
Gain on sale after income tax	13,995	-

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

37 Events occurring after the balance sheet date

Since the end of the financial year the Group has:

- In July 2008 the Company exercised an option to acquire all the issued capital of Asian Coal Resources Limited (“ACRL”). In turn, ACRL and its local Philippine partner, MANA Resources Development Corporation (“MRDC”), concurrently exercised their options permitting those companies to acquire an initial collective interest of 30% by 18 January 2009 in each of Daguma Agro-Minerals, Inc. (“DAMI”) and Bonanza Energy Resources, Inc (“BERI”). DAMI and BERI are the holders of the Daguma and Bonanza coal deposits which constitute the Daguma Coal Project (“Project”).

As a result of the exercise of the ACRL Option, Dwyka has paid US\$1.25M to Tomori Enterprises Limited (“Tomori”) and issued a total of 17,494,071 new ordinary shares to Tomori at a deemed price of \$0.40 per share, by way of option payments and as consideration for the ongoing provision by Tomori of certain Project-related services pursuant a services agreement with Tomori.

Except for the above, no other matter or circumstance has arisen since 30 June 2008 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.

38 Reconciliation of profit/loss after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Profit/(loss) from ordinary activities after tax	1,088	(16,360)	(11,083)	(2,766)
Depreciation and amortisation	92	897	74	43
Exploration expenditure	-	316	-	248
Doubtful debts	-	126	-	-
Profit on sale of discontinued operations	(13,525)	-	(541)	-
Equity accounted loss	822	-	-	-
Foreign exchange (gain)/loss	145	(81)	145	(87)
Share based compensation	427	469	427	469
Impairment of assets	7,181	10,408	8,122	-
(Loss)/profit on sale of non current assets	68	(365)	89	(27)
Reversal of asset impairment	-	-	-	(82)
Management fees charged to controlled entities	-	-	-	(483)
(Increase)/decrease in operating activity receivables	(173)	162	(116)	(22)
Decrease in inventory	-	28	-	-
Decrease in deferred tax asset	-	(1,621)	-	(20)
(Decrease)/increase in operating activity payables	(55)	1,031	(101)	349
(Decrease)/increase in current provisions	(38)	(36)	(7)	2
Net cash flow used in operating activities	(3,968)	(5,026)	(2,991)	(2,376)

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

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

Non-cash financing activities

During the 2008 year the Company issued:

- 2,777,778 ordinary shares at GBP0.36 (\$0.74) to extinguish in full a GBP1 million convertible note;
- 2,349,400 ordinary shares at GBP0.35 (\$0.84) to final settlement of outstanding obligations regarding the purchase of certain companies that owned various South African underground diamond mines. These mines are no longer part of the Group;
- 3,962,757 ordinary shares as part consideration to acquire a 50% interest in Swazi Gold Ventures (Pty) Ltd; and
- 39,745,500 ordinary shares at GBP0.26 (\$0.54) by cash placement – the proceeds of which were received into the Company's bank account on 4 and 8 July 2008.

During the 2007 year the Company issued 6,475,343 ordinary shares at \$0.45 and 3,237,671 ordinary shares at \$0.40 to acquire 100% of Danyland Limited.

39 Earnings/(loss) per share

The following reflects the operating profit/(loss) and share data used in the calculations of basic and diluted earnings/(loss) per share:

	2008	2007
	\$000	\$000
Net consolidated profit/(loss)	1,088	(16,360)
Adjustments:		
Less: Net loss attributable to outside equity interest	-	-
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share	1,088	(16,360)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	120,764,881	93,960,957
Effect of dilutive securities:		
Employee share plan shares	8,816,667	7,500,001
Options	177,083	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	129,758,631	101,460,958

Information concerning the classification of securities:

Certain granted options have not been included in the determination of diluted profit per share as they are not dilutive. Details relating to all options are set out in the Directors' Report and note 40.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

40 Share-based payments

(a) Employee Option Plan

Employee incentive option plans have been approved at shareholder general meetings.

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 - 2008

Grant date	Expiry date	Exercise Price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
20 April 2006	30 June 2009	\$1.00	1,000,000	-	(1,000,000)	-	-
19 March 2007	30 June 2010	\$0.52	950,000	-	(825,000)	125,000	125,000
			1,950,000	-	(1,825,000)	125,000	125,000
Weighted average exercise price			0.77	-	0.78	0.52	0.52

During the year there were no employee plan options that were cancelled or lapsed:

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

40 Share-based payments (continued)

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	-
			2,600,000	950,000	1,600,000	1,950,000	333,333
Weighted average exercise price			\$0.78	\$0.52	\$0.65	\$0.77	\$1.00

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2008 was 9 cents per option. The fair value at grant date was independently determined using a Black-Scholes option pricing model that took 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 2008 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 2008

40 Share-based payments (continued)

(b) Employee Share Plan

Employee incentive share plans have been approved at shareholder general meetings.

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 1(v) (ii).

In December 2007, 850,000 shares were issued at \$0.915 to non-director employees and consultants under the plan. These shares are to be paid by way of a loan payable on or before 11 December 2009 (as provided by the plan).

For details of the shares issued to directors and executives refer to note 29.

DWYKA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2008

40 Share-based payments (continued)

(c) Expenses relating to share based payment transactions

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Options issued under employee option plan	-	97	-	97
Shares issued under employee share plan	328	372	328	372
Options issued in exchange for services rendered	99	-	99	-
Options to be issued to placement underwriter	-	45	-	45
	427	514	427	514

In addition to the above share based payment transactions there have been a number of share based payments to external parties, refer to note 38 for details.

DWYKA RESOURCES LIMITED

**DIRECTORS' DECLARATION
30 June 2008**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 25 to 82 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 2008 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.

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: 26 September 2008

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

Report on the financial report

We have audited the accompanying financial report of Dwyka Resources Limited (the company), which comprises the balance sheet as at 30 June 2008, 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 Limited 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.

Directors' responsibility for the financial 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 controls 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 financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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.

**Independent auditor's report to the members of
Dwyka Resources Limited (continued)**

Independence

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

Auditor's opinion

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 2008 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Dwyka Resources Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of the company for the year ended 30 June 2008 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. 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 report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Pierre Dreyer
Partner

Perth
26 September 2008

DWYKA RESOURCES LIMITED

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2008.

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	99
1,001 - 5,000	145
5,001 - 10,000	63
10,001 - 100,000	130
100,001 and over	56
	493

There were 129 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 2008 were:

<i>Name</i>	<i>Listed ordinary shares</i>	
	<i>Number held</i>	<i>Percentage of issued shares</i>
Computershare Clearing Pty Ltd	138,365,711	76.97
Allerton Horizon Limited	9,163,014	5.10
Savinara Company SA <Fleming Family & Partners> A/C	3,962,757	2.20
HSBC Custody Nominees (Australia) Limited	2,516,641	1.40
Goldman Sachs Securities (Nominees) Limited <Creptemp> A/C	2,023,135	1.13
Mukwa Investments Limited	2,000,000	1.11
Clyde Trading Ltd	1,259,133	0.70
National Nominees	1,082,460	0.60
Mellon Nominees (UK) Limited	1,000,000	0.56
Goldman Sachs Securities (Nominees) Limited	961,575	0.53
Pershing Keen Nominees Limited	950,000	0.53
Aljen Trust	805,142	0.45
Henderson Absolute Return Fund	795,000	0.44
UOB Kay Hian (Hong Kong) Limited	741,658	0.41
Padstock Limited	735,000	0.41
Washington Resources Limited	645,161	0.36
Hereford Group Limited	595,187	0.33
JPWH Trust	414,117	0.23
SVM Asset Management Limited	400,000	0.22
Merrill Profits Limited	394,500	0.22
	168,810,191	93.90

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	9,163,014	5.10

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. 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

2. Mineral exploration permits held through controlled entity Swazi Gold Venture (Pty) Limited

Notarial Exclusive Prospecting Licence WRC0577 granted to the company on 5 November 2005 on behalf of the Kingdom of Swaziland