

QUARTERLY REPORT 31 MARCH 2004

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

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### HIGHLIGHTS

- **Regional sampling on all newly granted licences in Andhra Pradesh, Karnataka and Madhya Pradesh.**
  - **New licence areas awarded in India.**
  - **Drilling at Bosele in South Africa continues.**
  - **Industrial division continues to experience record demand.**
  - **Group cash on hand at the end of the quarter A\$6.2 million. (Last quarter A\$6.9 million).**
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The March quarter for Dwyka has been productive. Drilling at the ex De Beers Bosele fissure project commenced and results will be reported as they become available. Historical exploration data received from De Beers.

A major sampling programme was completed in India with a number of drainages being sampled in the vicinity of the existing Panna Diamond Mine and around the region of the famous Krishna gravels. 174 soil samples have been taken with analytical results expected from mid-June onwards. The initial drilling programme in Andhra Pradesh was not able to explain the source of the numerous kimberlitic indicator minerals recovered from previous detailed stream sampling. Further drilling will occur following geophysical surveys designed to further refine the potential kimberlite targets.

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### INDIAN DIAMOND EXPLORATION PROGRAMME

(Points in square brackets are referenced on attached map for ease of interpretation. The map is also available on the Dwyka website if not accessible here.)

- Regional sampling completed on all newly granted licences in Andhra Pradesh, Karnataka and Madhya Pradesh.
  - Over 9000 km<sup>2</sup> of prospective cratonic environment, previously untested by modern exploration methods has been assessed by 174 heavy mineral stream and loam samples.
  - Results expected from mid-June onwards.
  - Initial drilling in the Anantapur licence [1] failed to explain the source of anomalous kimberlitic indicator minerals. Further drilling planned following airborne EM (electro magnetic) and ground EM geophysical surveys to refine potential kimberlite targets.
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During the March quarter exploration has proceeded within the Dwyka Diamonds/BHP Billiton Indian Alliance with the sampling of all granted licences (over 15,000 km<sup>2</sup>) now complete.

An area of 6,100 km<sup>2</sup> to the west of the known Narayanpet Kimberlites [2] was tested. In the sampled area all drainages flow into the Krishna River; the alluvial gravels of which have been the site of many famous, large diamonds discoveries since the 15<sup>th</sup> Century. A primary source of these diamonds is yet to be identified.

Additionally, licences have been tested in the vicinity of the operating Panna Diamond Mine [3] in the state of Madhya Pradesh (1,000 km<sup>2</sup>) and in previously untested cratonic areas of Karnataka (1,900 km<sup>2</sup>) [4] in the vicinity of the Anantapur diamond-bearing kimberlite pipes.

All major drainages from these areas have been conclusively sampled with a view to identifying a new, previously unrecognised, cluster of kimberlites. Receipt of indicator mineral and diamond recovery results from these programs are expected from mid-June onwards.

Drill testing of new kimberlite targets in the Anantapur licence during the December quarter was unsuccessful in locating the source of the numerous kimberlitic indicator minerals recovered from detailed stream sampling. Further drilling will occur following geophysical surveys designed to further refine the potential kimberlitic targets.

### SOUTH AFRICAN OPERATIONS

Combined South African operations from July 1, 2003 to 31 March, 2004:

	Revenue (Rand)	Costs (Rand)	Profit (Rand)
Industrials	21,599,915	20,283,972	1,315,943
Nooitgedacht	3,633,330	1,913,062	1,720,268
<b>TOTAL</b>	<b>25,233,245</b>	<b>22,197,034</b>	<b>3,036,211</b>

### Bosele Fissure Project

The Bosele project covers an area of 1135Ha contiguous with the Dancarl Diamond Mine owned by De Beers. The Dancarl Mine has exploited the Bobbejaan Fissure right up to the boundary of Dwyka's Bosele tenements. Dancarl has mined the fissure to a depth of 480 metres at a reported grade of 75ct/100t.

Dwyka commenced exploration activities in December 2003 with the objective of tracking the extension of the Bobbejaan Fissure onto the Bosele property.

The mapping program has identified 6 fissures on the Bosele Project area, including the Bobbejaan fissure.

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The drilling program has commenced during the quarter and is anticipated to continue for up to three months. Results of the drilling will be announced as they are received and interpreted.

In addition Dwyka has acquired the historical exploration data on the Bosele property from De Beers, who were the previous owners of the mineral rights. This data will be used to assist Dwyka in its drilling programme.

### **Nooitgedacht Alluvial Mine**

During the quarter diamond production was reduced whilst the Company awaited the arrival of a new scalping plant, to replace the Finlay screens which were sold in December 2003. The scalping plant arrived in April and will be fully operational during May.

During the quarter, therefore, efforts were focused on rehabilitation to reduce future rehabilitation liabilities. At Nooitgedacht, diamonds weighing 62.40 carats were recovered from 11,197 tonnes of gravel treated. This equates to a grade of 0.56 carats per one hundred tonnes. The grade is expected to return to at least 1cph with the introduction of the scalping machine.

The Company currently has a parcel of diamonds on hand weighing 308.36 carats, including an 18.65 carat and a 20.44 carat stone. These will be sold during May.

### **Industrial Division**

The Industrial division has again experienced very strong demand and the brick plant continued to operate 24 hour per day. Revenue year to date is R21.6 million and costs are R20.3 million. Due to timings of cash flows the current quarter showed a loss of ZAR 0.8m.

The Northern Cape region has experienced an increase in building projects during the past six months, in the lead up to the election. This is largely related to low cost housing projects initiated by the government and is expected to be maintained for at least the next two years.



**GRANT BUTTON**  
Company Secretary

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Further information please contact:

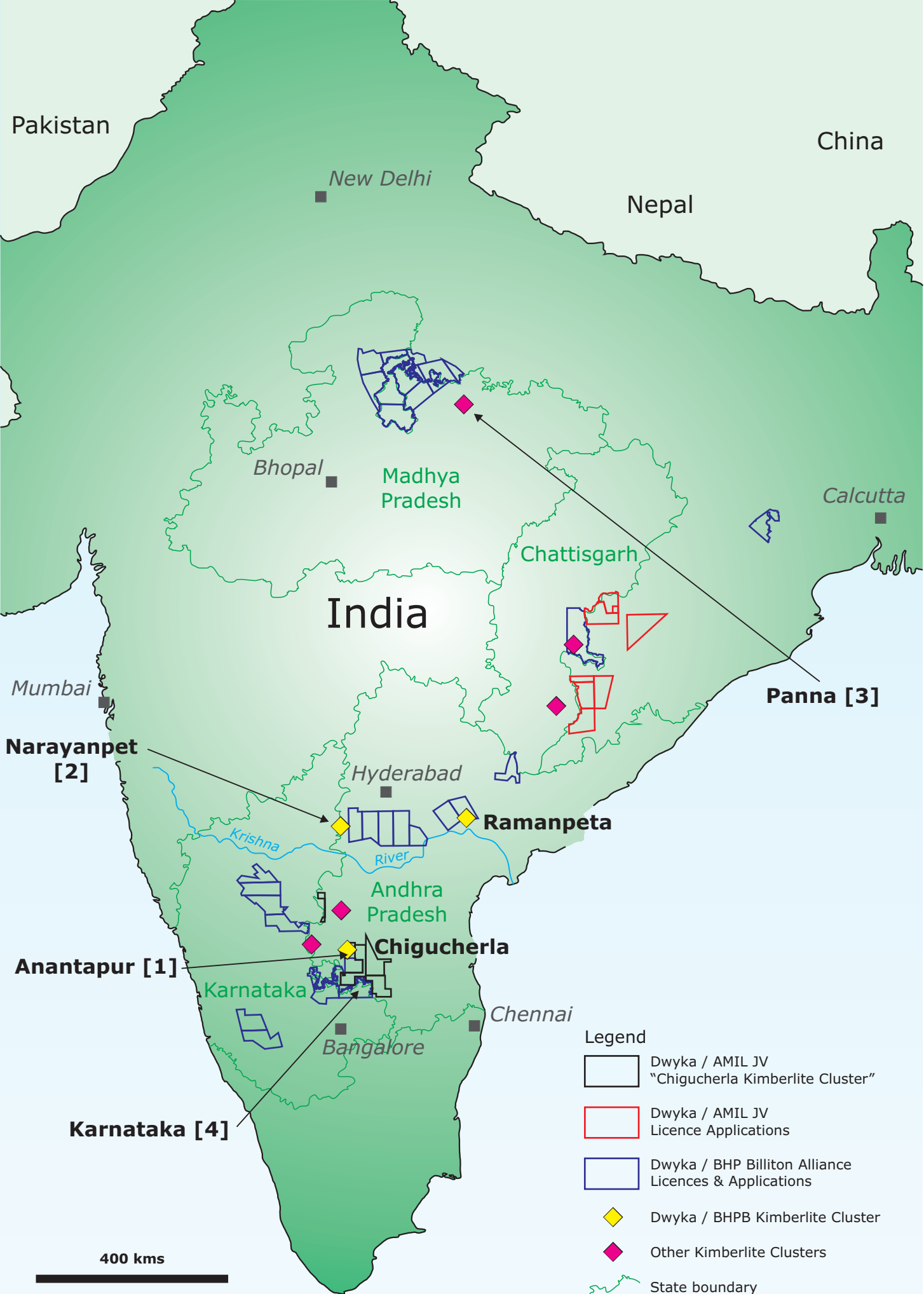
**In Australia:**

Grant Button, Melissa Sturgess  
Dwyka Diamonds Limited  
(+618) 9324 2955

**In United Kingdom:**

Joe Nally  
Williams de Broë Plc  
(+44) 20 7588 7511

Laurence Read/ Leesa Peters  
Conduit PR  
(+44) 20 7936 9095 /  
(+44) 7979 955 923



Pakistan

China

New Delhi

Nepal

Bhopal

Madhya Pradesh

Calcutta

Chattisgarh

India

Mumbai

Panna [3]

Narayanpet [2]

Hyderabad

Ramanpeta

Krishna River

Andhra Pradesh

Anantapur [1]

Chigucherala

Karnataka

Chennai

Bangalore

Karnataka [4]

Legend

Dwyka / AMIL JV "Chigucherala Kimberlite Cluster"

Dwyka / AMIL JV Licence Applications

Dwyka / BHP Billiton Alliance Licences & Applications

Dwyka / BHPB Kimberlite Cluster

Other Kimberlite Clusters

State boundary

City

400 kms

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

DWYKA DIAMONDS LIMITED

ACN or ARBN

098 060 938 552

Quarter ended ("current quarter")

31 March 2004

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	1,328	5,735
1.2 Payments for (a) exploration and evaluation	(362)	(1,008)
(b) development		
(c) production	(1,296)	(4,515)
(d) administration	(413)	(1,365)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	79	211
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other FOREX variance	(1)	(55)
<b>Net Operating Cash Flows</b>	<b>(665)</b>	<b>(997)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		(100)
(b)equity investments	(45)	(50)
(c) other fixed assets	(2)	(8)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		1,149
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(47)</b>	<b>991</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(712)</b>	<b>(6)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(712)	(6)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		1,787
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		(1)
1.18	Dividends paid		
1.19	Other – capital raising costs		(130)
	<b>Net financing cash flows</b>	-	1,656
<b>Net increase (decrease) in cash held</b>			
		(712)	1,650
1.20	Cash at beginning of quarter/year to date	6,851	4,494
1.21	Exchange rate adjustments to item 1.20	72	67
1.22	<b>Cash at end of quarter</b>	6,211	6,211

**Payments to directors of the entity and associates of the directors**

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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**Non-cash financing and investing activities**

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

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+ See chapter 19 for defined terms.

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

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### Financing facilities available

*Add notes as necessary for an understanding of the position.*

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
<b>Total</b>	<b>350</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,630	5,339
5.2 Deposits at call	1,581	1,512
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>6,211</b>	<b>6,851</b>

### Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

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

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference + securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	63,907,696	61,057,696	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	2,000,000	-	<i>Exercise price</i> \$1.47	<i>Expiry date</i> 30/6/2006
	1,100,000	-	\$0.52	30/6/2007
7.8 Issued during quarter	1,100,000	-	\$0.52	30/6/2007
7.9 Exercised during quarter				
7.10 Expired (cancelled) during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

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

Sign here:  Date: 30 April 2004  
Print name: Company Secretary  
Grant Button

## Notes

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

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