



# **DWYKA RESOURCES LIMITED**

(formerly Dwyka Diamonds Limited)

**A.C.N. 060 938 552**

HALF-YEAR REPORT  
31<sup>ST</sup> DECEMBER 2006

## **DIRECTORS' REPORT**

The Directors present their report for the half-year ended 31 December 2006.

### **DIRECTORS**

The names of the Directors of the Company in office during the half-year and until the date of this report are:

Melissa Sturgess, Adrian Griffin, Michael Langoulant, Ed Nealon and Evan Kirby.

Mr Cedric Bredenkamp was a director at the start of the financial year until his resignation on 9 January 2007.

### **REVIEW AND RESULTS OF OPERATIONS**

#### **African operations**

##### **Black Economic Empowerment (BEE) Compliance**

The BEE restructure of Dwyka's South African operations was completed in October 2006. All of Dwyka's South African operations are now controlled by Superkolong Holdings (Pty) Ltd in which Dwyka has a 70% interest. The remaining 30% interest is held by Dwyka's BEE partner, Kolong Investments (Pty) Ltd.

The restructure is significant for Dwyka as it sees the Group move to 70% ownership of the De Beers Tailings Re-treatment Project ("DBTR") while securing the same equity proportions in all of its South African operations. In addition, Dwyka's other projects and operations – comprising the Kimberley-based Industrial Products businesses, the prospective Bosele diamond fissure exploration project and Blaauwbosch, Newlands and New Elands underground kimberlite mines – are now fully BEE-compliant, with the result that Dwyka:

- can proceed to conversion of all "old order" mining rights to "new order" rights as contemplated under applicable South African legislation;
- can maximise development of its existing projects and operations;
- is now placed in a strong position to secure further opportunities in South Africa; and
- will, as regards its Industrial Products division, be viewed as a "preferred" supplier to South African mining companies and in relation to tendering and procurement with government.

This re-structure bringing all of Dwyka's South African operations within the BEE compliance provides future certainty for all Dwyka's South African operations and will provide the Board with the confidence to pursue longer term commitment of capital to generate the maximum return from both existing assets and potential acquisitions.

#### **Exploration and mining division**

##### **De Beers Diamond Tailings Re-treatment Project – RSA**

The De Beers tailings operation is held, and managed, by Dwyka's 70% BEE subsidiary, Superkolong (Pty) Ltd.

Commercial recovery of diamonds commenced in the September 2006 quarter. Throughput increased progressively throughout the period and first revenue payments were received from De Beers.

A total of 70,501 tonnes was processed in the December 2006 quarter and 3,698 carats of diamonds were recovered. Feed grades improved towards the end of the quarter as plant availability improved and increased throughputs were achieved.

Under the terms of Superkolong's current agreement with De Beers, Superkolong is paid a fixed amount to treat the material on a contract basis. Thus, Dwyka's exposure to operating costs at designed throughput is minimal. After deducting operating costs Superkolong shares the diamond revenue with De Beers.

#### **Blaauwbosch Kimberlite Mine – RSA**

Development continued at Blaauwbosch in preparation for production stoping. The first of the stoping blocks were blasted and ore from those blocks were hauled to the surface in January 2007. It is anticipated full production rates from underground (10,000 tonnes per month) will be achieved by April 2007. Some kimberlite from development headings has been processed. Despite being heavily contaminated with wall rocks the material achieved reasonable grade (about 15 carats per hundred tonnes (cpht)) and produced some large stones.

During the half year 10,076 tonnes of development were treated to recover 1,412 carats at an average grade of 14.01 cpht. A number of large stones were recovered. 24,866 tonnes of tailings were treated to recover 1,152 carats at an average grade of 4.63 cpht.

#### **Newlands Kimberlite Mine – RSA**

During the half year, 16,492 tonnes of kimberlite were treated to recover 1,960 carats at an average grade of 11.88 cpht. A number of large stones were recovered. Furthermore, 7,793 tonnes of tailings were treated to recover 673 carats at an average grade of 8.63 cpht.

Grades from the underground operation were below expectation however changes to management and mining practice subsequent to the end of the period have improved grades and tonnes produced.

#### **Mahene and Itanana Kimberlites – Tanzania (JV with De Beers)**

Dwyka's second joint venture with De Beers involves assessment of the diamondiferous Mahene and Itanana kimberlite pipes in the Nzega District of Tanzania.

Under the terms of its agreement with De Beers, Dwyka will bulk-sample the pipes, at a cost of about US\$1.5 million. Dwyka's Tanzanian partner, Thorntree Minerals Limited ('Thorntree'), is assisting with logistical, managerial and government liaison support within Tanzania. Thorntree has the right to participate in 20% of Dwyka's equity interest in these projects once the decision to progress to feasibility study is made, but will have to fund its share of costs to maintain its equity position.

De Beers has the option to acquire a 51 per cent shareholding in Dwyka Tanzania Limited, the Dwyka subsidiary holding the project, by reimbursing Dwyka three times the costs incurred by Dwyka to evaluate the projects. Alternatively, De Beers can elect to remain a 5 per cent shareholder in Dwyka Tanzania Limited or convert its shareholding into a 1.5 per cent gross royalty payable on diamond revenues. As part of this agreement, Dwyka Tanzania will sell all diamonds recovered in the licence areas to De Beers.

No field activity was undertaken during the half year.

#### **Bosele Exploration – RSA**

Previous drilling by Dwyka revealed that the volcanoclastic sediments filling the crater exceed a vertical thickness of 200 metres; however, none of the holes drilled penetrated the base of the sedimentary sequence. Bulk sampling of the sandy sediments in the upper part of the sequence showed them to be diamondiferous.

Further ground based geological investigations were undertaken during the half year.

#### **New Elands Kimberlite Mine – RSA**

Contract tailings re-treatment was implemented at New Elands, with Dwyka receiving R2.50 per tonne treated with a minimum fee equivalent to 15,000 tonnes per month being payable.

#### **Nooitgedacht Alluvial Diamond Mine – RSA**

During the half year, 68,913 tonnes of gravel were treated to recover 490.11 carats at an average grade of 0.71 cpht. Subsequent to the end of the period, the mine was placed on care and maintenance during the installation of a new crushing plant. The plant will crush oversized material generated during the diamond recovery process. The crushed material will be utilised in bricks and concrete produced by Superkolong Bricks (Pty) Ltd and Superkolong Cement (Pty) Ltd respectively.

#### **Industrial Division – RSA**

Dwyka's Industrial Division is operated by Superkolong Industrial (Pty) Ltd. This division achieved combined concrete and brick sales of R12.3 million for the half year. Rising demand for bricks has resulted in the implementation of two shift operations of the brick plant subsequent to the end of the period.

Subsequent to the end of the period Superkolong was awarded supply of concrete for a new Kimberly based prison facility. The term of the supply will last approximately 18 months. This supply is augmented by a number of other significant contracts which reflect rising demand for construction products within the region.

#### **Indian diamond exploration programme**

Laboratory testing of all outstanding samples collected during the 2006 Indian field campaign was completed during the half year. This programme completed the formal obligations under the terms of the BHP Billiton Framework Agreement and has resulted in two areas which will be assessed for further exploration. Less prospective ground will be relinquished.

#### **Operating results**

The Group's performance during the half year has been disappointing. The consolidated loss for the period was \$6,281,000 mainly due to challenges in bringing the DBTR plant on-line, delays in finalising underground development at Blaauwbosch and a drop off in grade at the Newlands mine.

During the half year the majority of the Group's cash resources were allocated to commissioning the DBTR plant. Slower than anticipated ramp-up together with issues affecting plant availability and throughput rates resulted in a disappointing performance by this unit. Since period end plant availability and throughput rates have continued to improve and the performance of this unit is expected to significantly improve in the coming half year.

The time taken to complete the planned underground development work at the Blaauwbosch mine was longer than expected. As a result no underground production was achieved during the half year. Since period end production stoping has commenced and a stronger performance is expected from this mine in the coming half year.

At the Newlands mine high grade ore access was restricted resulting in lower than expected grades during the half year. Operational changes made towards the end of the period have resulted in initial grade improvements which will be closely monitored during the coming half year.

#### **Future developments**

The Board of Dwyka recognises the opportunities presented by the current strong demand for commodities and in particular metals. To improve the potential to return growth and profits to its shareholders, the Dwyka board has implemented a program of diversification. This program has initially resulted in agreements entered into after the period end to acquire controlling interests in two

companies; one of which has a nickel project in Burundi as its major asset, and the other, a gold project in the Barberton Greenstone Belt, Swaziland.

**MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR**

a) On 30 January 2007 Dwyka Resources Limited acquired all of the issued shares in Dannyland Pty Ltd, for the share consideration being 6,475,343 ordinary shares issued on 2 February 2007 and 3,237,671 ordinary shares issued on 7 March 2007. The issue of a further 6,475,343 ordinary shares as part consideration is dependant upon future exploration success.

Dannyland Pty Ltd owns 100% of the rights to the Muremera nickel project in Burundi. The fair value of the net identifiable assets of the company at the date of acquisition was \$US5,000,000. The financial effects of the above transaction have not been brought to account at 31 December 2006.

The operating results and assets and liabilities of the company will be brought to account from 1 January 2007.

b) On 7 March 2007 the company entered into a Memorandum of Understanding to acquire a 50% shareholding in Swaziland Gold Ventures Pty Ltd, the owner of prospective gold mining tenements in Swaziland for the cash payment of \$US200,000 and the issue of \$US1,500,000 ordinary Dwyka Resources Limited shares. Subject to further exploration activity Dwyka has the potential to increase its holding in Swaziland Gold Ventures Pty Ltd to 100%.

The financial effects of the above transaction have not been brought to account at 31 December 2006. The operating results and assets and liabilities of the company will be brought to account upon completion of the transaction.

c) On 12 March 2007 the company resolved to change its name to Dwyka Resources Limited.

d) Since year end the Company has implemented an underwritten Share Purchase Plan offering all shareholders \$A5,000 worth of ordinary shares at an issue price of \$0.31. As the Share Purchase Plan is underwritten the Share Purchase Plan will result in the issue of 8,870,950 ordinary shares. At the same time the Company announced it had entered into an underwritten placement agreement to issue a further 7,258,065 ordinary shares at \$A0.31 to clients of Montague Stockbrokers Pty Ltd. The underwritten Share Purchase Plan and placement will raise \$A5,000,000 in working capital before issue costs.

**ROUNDING OF AMOUNTS**

The amounts contained in this Report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class order 98/0100. The Company is an entity to which the class order applies.

**AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, PricewaterhouseCoopers, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the following page.

Dated at Perth this 16th day of March 2007.

Signed in accordance with a resolution of the Directors.



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M Sturgess  
Executive Chairman

## Auditor's Independence Declaration

PricewaterhouseCoopers  
ABN 52 780 433 757

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As lead auditor for the review of Dwyka Resources Limited for the half year ended 31 December 2006, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Dwyka Resources Limited and the entities it controlled during the period.



Pierre Dreyer  
Partner  
PricewaterhouseCoopers

Perth  
16 March 2007

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	<b>Half-year Ended 31 Dec 2006 \$'000s</b>	<b>Half-year Ended 31 Dec 2005 \$'000s</b>
Revenue from operations	3,406	3,866
Cost of sales	(4,152)	(2,783)
<b>Gross profit</b>	(746)	1,083
Other income	237	269
Other expenses from ordinary activities		
Administration	(2,897)	(2,376)
Exploration written off	(288)	(699)
Impairment of assets	(1,077)	-
Impairment of goodwill	(920)	-
Finance costs	(293)	-
Other	(297)	-
<b>Loss before income tax</b>	(6,281)	(1,723)
Income tax expense	-	-
<b>Loss for half year</b>	(6,281)	(1,723)
Loss attributable to minority interest	-	-
<b>Loss attributable to members of Dwyka Resources Limited</b>	(6,281)	(1,723)
Basic loss per share (cents)	(7.33)	(2.15)
Diluted loss per share (cents)	(7.33)	(2.15)

*The above Consolidated Income Statement should be read in conjunction with the accompanying notes.*

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2006**

	Note	31 Dec 2006 \$'000s	30 June 2006 \$'000s
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,285	6,286
Trade and other receivables		978	977
Inventories		324	484
<b>Total Current Assets</b>		<u>3,587</u>	<u>7,747</u>
<b>NON-CURRENT ASSETS</b>			
Receivables		57	4,536
Other financial assets		192	103
Property, plant & equipment		8,894	3,597
Exploration, evaluation and mining properties		8,907	8,709
Other		311	308
<b>Total Non-Current Assets</b>		<u>18,361</u>	<u>17,253</u>
<b>TOTAL ASSETS</b>		<u>21,948</u>	<u>25,000</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,662	1,649
Borrowings		205	76
Provisions		247	249
<b>Total Current Liabilities</b>		<u>2,114</u>	<u>1,974</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		6,615	2,611
Deferred tax liability		1,633	1,601
Provisions		306	305
<b>Total Non-Current Liabilities</b>		<u>8,554</u>	<u>4,517</u>
<b>TOTAL LIABILITES</b>		<u>10,668</u>	<u>6,491</u>
<b>NET ASSETS</b>		<u>11,280</u>	<u>18,509</u>
<b>EQUITY</b>			
Contributed equity	3	56,912	56,912
Reserves		1,320	2,217
Accumulated losses		(46,952)	(40,669)
<b>Total parent entity interest</b>		<u>11,280</u>	<u>18,460</u>
Minority interest		-	49
<b>TOTAL EQUITY</b>		<u>11,280</u>	<u>18,509</u>

*The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR HALF YEAR ENDED 31 DECEMBER 2006**

	<b>Half-year Ended 31 Dec 2006 \$'000s</b>	<b>Half-year Ended 31 Dec 2005 \$'000s</b>
<b>Total equity at beginning of the half year</b>	18,509	14,530
Adjustment on adoption of AASB 132 and AASB 139, net of tax		
Reserves	-	(82)
Accumulated losses	-	82
Changes in fair value of available for sale financial assets, net of tax	73	99
Exchange differences on translation of foreign corporations	(715)	557
Net income recognised directly in equity	(642)	656
Loss for the half year	(6,281)	(1,723)
Adjustment for prior years losses recouped on minority interest	(49)	-
<b>Total recognised income and expense for the half year</b>	(6,972)	(1,067)
Transactions with equity holders in their capacity as equity holders		
Contributions of equity, net of transaction costs (note 3)	-	5,901
Share based compensation reserve	318	139
Cost of increased equity in subsidiary	(575)	-
Deferred share consideration on purchase of subsidiaries	-	629
	(257)	6,669
<b>Total equity at end of the half year</b>	11,280	20,132
 Total recognised income and expense for the half year is attributable to:		
Members of Dwyka Resources Limited	(6,972)	(1,067)
Minority interest	-	-
	(6,972)	(1,067)

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR HALF-YEAR ENDED 31 DECEMBER 2006**

	<b>Half-year Ended 31 Dec 2006 \$'000s</b>	<b>Half-year Ended 31 Dec 2005 \$'000s</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of GST)	3,477	3,852
Payments to suppliers and employees (inclusive of GST)	(6,146)	(5,396)
Interest received	98	188
Other income	104	29
Interest paid	(163)	-
<b>Net cash outflow from operating activities</b>	<b>(2,630)</b>	<b>(1,327)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for plant & equipment	(956)	(277)
Proceeds from sale of plant and equipment	2	1
Payments for other financial assets	-	(250)
Rehabilitation bonds	-	(8)
Payment for acquisition for business unit, net of cash acquired	-	(1,021)
Cash acquired on acquisition of business unit	124	-
Payment for acquisition of increased subsidiary interest	(575)	-
Proceeds from sale of other financial assets	17	2
Payment for exploration/mine development	(633)	(2,107)
<b>Net cash outflow from investing activities</b>	<b>(2,021)</b>	<b>(3,660)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans to other parties	-	(69)
Loan to associates	(614)	(2,429)
Proceeds from borrowings	979	-
Repayment of borrowings	(137)	-
Proceeds from issue of shares	-	3,187
Payment for equity issue costs	-	(107)
<b>Net cash inflows from financing activities</b>	<b>228</b>	<b>582</b>
Net decrease in cash held	(4,423)	(4,405)
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>6,286</b>	<b>9,582</b>
Effect of exchange rate changes on cash	422	342
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,285</b>	<b>5,519</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Dwyka Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**2. SEGMENT INFORMATION**

**Primary reporting format – Geographical segments**

<b>Half-year 2006</b>	Africa \$'000s	Australia \$'000s	India \$'000s	Unallocated \$'000s	Consolidated \$'000s
Total segment revenue	3,545	-	-	98	3,643
Segment result	(4,986)	(2,004)	(296)	1,005	(6,281)
				Unallocated \$'000s	Consolidated \$'000s
<b>Half-year 2005</b>	Africa \$'000s	Australia \$'000s	India \$'000s		
Total segment revenue	3,896	1	-	188	4,085
Segment result	(682)	(1,272)	(8)	239	(1,723)

**3. EQUITY SECURITIES ISSUED**

**Movements in equity securities during the half-year period were:**

Date	Details	Issue price	Number of shares	\$'000s
<b>Half Year 2006</b>				
Fully paid ordinary shares				
1/7/2006	Opening balance		85,737,134	56,693
31/12/2006	Balance		85,737,134	56,693
Employee Share plan shares issued with limited recourse employee loans				
1/7/2006	Opening balance		7,000,001	-
21/12/2006	Employee share plan issue	\$1.00	1,000,000	-
31/12/2006	Balance		8,000,001	-
<b>31/12/2006</b>	<b>Total ordinary shares on issue</b>		<b>93,737,135</b>	<b>56,693</b>
Other equity securities				
Value of conversion rights – convertible notes, net of tax				
1/7/2006	Opening balance			219
31/12/2006	Balance			219
<b>31/12/2006</b>	<b>Total contributed equity</b>			<b>56,912</b>

**Half Year 2005**

Fully paid ordinary shares				
1/7/2005	Opening balance		77,706,862	50,726
30/8/2005	Mine purchase consideration	GBP0.35 (A\$0.84)	2,747,802	2,308
4/11/2005	Placement	GBP0.30 (\$A0.72)	4,500,000	3,187
22/12/2005	Placement in lieu of services rendered	A\$0.685	749,137	513
	Total issue costs			(107,)
31/12/2005	Balance		<u>85,703,801</u>	<u>56,627</u>
Employee Share plan shares issued with limited recourse employee loans				
1/7/2005	Opening balance		2,733,334	-
21/12/2005	Employee share plan issue	\$0.87	750,000	-
21/12/2005	Employee share plan issue	\$1.00	3,350,000	-
31/12/2005	Balance		<u>6,833,334</u>	-
<b>31/12/2005</b>	<b>Total ordinary shares on issue</b>		<u><b>92,537,135</b></u>	<u><b>56,627</b></u>
Other equity securities				
1/7/2005	Opening balance			-
31/12/2005	Balance			-
<b>31/12/2005</b>	<b>Total contributed equity</b>			<u><b>56,627</b></u>

#### **4 BUSINESS COMBINATION**

##### **Half Year 2006**

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 from 40% to 70%; and equipment; 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 \$334,318 in revenues and a net loss of \$874,731. If the acquisition had occurred on 1 July 2006, the consolidated revenue and consolidated loss for the half year would have been \$518,148 and \$6,281,000 respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	AUD \$'000s
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 does 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.

This goodwill represents future income streams to flow from the DBTR plant, however based on current performance of the DBTR plant this goodwill has been fully written off in this half year period.

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 \$'000s	Fair value \$'000s
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)

#### **Half Year 2005**

On 1 September 2006 the parent entity effected the acquisition of 100% of the issued share capital of Kophia Diamonds Pty Ltd and Bellsbank Mining Number One Pty Ltd. These entities were acquired as a single business acquisition transaction.

Together these companies own 3 underground mines in South Africa. The consideration for this purchase is the issue of 2,747,802 shares and the payment of ZAR5 million to the vendors of the companies. This acquisition incorporates the provision of future services to the Group by the vendors and includes operational targets for the mines acquired.

The acquired business contributed revenues of \$299,094 and a net loss of \$41,614 to the Group for the period from 1 October 2006 to 31 December 2006. If the acquisition had occurred on 1 July 2006, the acquired business would have contributed revenues of \$299,094 and a net loss of \$112,978 to the Group.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	AUD \$'000s
Purchase consideration:	
Cash paid (ZAR5 million)	1,021
Parent company shares (valued at the market price of those shares as at the date of acquisition)	2,308
Deferred issue of Parent company shares (valued at the market price of those shares as at the date of acquisition)	629
Total purchase consideration	3,958
Fair value of net identifiable assets acquired	3,958
Goodwill	-

At the date of acquisition it was considered probable that at least a further 749,400 parent company shares will be issued as additional consideration for the acquisition. This deferred share issue has been valued at the market price of those shares as at the date of acquisition. Further in the event that certain pre-determined mine performance hurdles are achieved by the subsidiary, additional consideration in the form of shares and options may be payable. It is not possible to determine if additional shares and/or options will be issued.

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 :

	<b>Carrying amount</b> <b>\$'000s</b>	<b>Fair value</b> <b>\$'000s</b>
Receivables	211	211
Inventories	345	345
Plant and equipment	818	818
Exploration	-	4,630
Mine property/development	170	2,370
Deferred tax asset	149	-
Trade payables	(45)	(45)
Deferred tax liability	-	(1,984)
Rehabilitation provision	-	(216)
Non-current payables	(776)	(776)
Non-current loans from vendors	(1,395)	(1,395)
Net identifiable assets acquired	(523)	3,958

**5 CONTINGENCIES**

There has been no change in contingent liabilities since the last annual report.

**6 SUBSEQUENT EVENTS**

a) On 30 January 2007 Dwyka Resources Limited acquired all of the issued shares in Dannyland Pty Ltd, for the share consideration being 6,475,343 ordinary shares issued on 2 February 2007 and 3,237,671 ordinary shares issued on 7 March 2007. The issue of a further 6,475,343 ordinary shares as part consideration is dependant upon future exploration success.

Dannyland Pty Ltd owns 100% of the rights to the Muremera nickel project in Burundi. The fair value of the net identifiable assets of the company at the date of acquisition was \$US5,000,000. The financial effects of the above transaction have not been brought to account at 31 December 2006.

The operating results and assets and liabilities of the company will be brought to account from 1 January 2007.

b) On 7 March 2007 the company entered into a Memorandum of Understanding to acquire a 50% shareholding in Swaziland Gold Ventures Pty Ltd, the owner of prospective gold mining tenements in Swaziland for the cash payment of \$US200,000 and the issue of \$US1,500,000 ordinary Dwyka Resources Limited shares. Subject to further exploration activity Dwyka has the potential to increase its holding in Swaziland Gold Ventures Pty Ltd to 100%.

The financial effects of the above transaction have not been brought to account at 31 December 2006. The operating results and assets and liabilities of the company will be brought to account upon completion of the transaction.

c) On 12 March 2007 the company resolved to change its name to Dwyka Resources Limited.

d) Since year end the Company has implemented an underwritten Share Purchase Plan offering all shareholders \$5,000 worth of ordinary shares at an issue price of \$0.31. As the Share Purchase Plan is underwritten the Share Purchase Plan will result in the issue of 8,870,950 ordinary shares. At the same time the Company announced it had entered into an underwritten placement agreement to issue a further 7,258,065 ordinary shares at \$0.31 to clients of Montague Stockbrokers Pty Ltd. The underwritten Share Purchase Plan and placement will raise \$5,000,000 in working capital before issue costs.

**DWYKA RESOURCES LIMITED**

**DIRECTORS' DECLARATION**

In the directors' opinion:

- a) the financial statements and notes set out on pages 7 to 17 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 consolidated entity's financial position as at 31 December 2006 and of its performance, for the half-year ended on that date; and
- b) there are reasonable grounds to believe that Dwyka Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



M Sturgess  
Executive Chairman

Dated at Perth, this 16<sup>th</sup> day of March 2007.

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dwyka Resources Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Dwyka Resources Limited Group (the consolidated entity). The consolidated entity comprises both Dwyka Resources Limited (the company) and the entities it controlled during that half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dwyka Diamonds Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dwyka Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Pierre Dreyer  
Partner

Perth  
16 March 2007

**DWYKA RESOURCES LIMITED  
AND ITS CONTROLLED ENTITIES**

**CORPORATE DIRECTORY**

<b>DIRECTORS</b>	M.J. Sturgess E.F.G Nealon M.J. Langoulant	A Griffin E. Kirby
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**ASX CODE**

Shares: DWY

**AIM CODE**

Shares: DWY