



A.C.N 060 938 552

QUARTERLY REPORT 30 SEPTEMBER 2007

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

NICKEL

Muremera Nickel Project

Recent activities

During the quarter, detailed logging and sampling of the UNDP core was undertaken. Twelve drillholes were logged, sampled and petrographically analysed. Geostatistical analyses revealed a high correlation coefficient between the UNDP results and the new results allowing for the combined use of the two data sets in geochemical studies of the deposit. The petrographic analysis has found that pentlandite and chalcopyrite (the minerals of Ni and Cu respectively) are present in most cases, though often fine grained. The directors of Dwyka believe that based on these early observations there exist similarities between Kabanga and Muremera.

A 5,000 metre diamond drilling contract was signed with Major Drilling Tanzania, with a view to undertaking stratigraphic drilling aimed at further defining anomalies identified through previous core drilling and geophysical work and the analysis outlined above. The drilling programme commenced in late September and is expected to continue until November, with the subsequent analysis of results taking place in November and December 2007. Geochemical data interpretation will be conducted on an ongoing basis, with a final report expected prior to the end of January 2008.

A heliborne VTEM survey has also been commenced on the licence area and is expected to be completed towards the end of October. Data accumulated from those surveys will be interpreted during November and December 2007, with a view to establishing drill targets by January 2008. VTEM target drilling will commence shortly thereafter.

About the project

The Muremera licence, owned by the Company's wholly-owned subsidiary Danyland Limited ("**Danyland**"), is located within 2km of the Kabanga project operated by Xstrata/Barrick, the world's largest undeveloped nickel sulphide deposit.

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The Kabanga deposit, which is located immediately across the border in Tanzania, was discovered by geophysical prospecting, by the United Nations Development Programme (“**UNDP**”), in 1976. Further UNDP surveys in 1978 resulted in the discovery of the prospective Muremera deposits on the Burundi side of the border in 1978. The anomalies have identical characteristics and follow-up work by the UNDP has confirmed that massive sulphide bodies, with nickel mineralisation, are the source of the anomalies. Extensive geophysics and geochemical surveys have delineated numerous targets, however there has been insufficient drilling to date to establish a JORC compliant resource.

Shareholders and Earn-in Agreement with BHP Billiton

On 23 February 2007, the Company signed a Shareholders and Earn-in Agreement with BHP Billiton (“**BHPB Agreement**”), pursuant to which BHP Billiton has agreed to spend at least US\$5,200,000 in undertaking certain activities to develop the Muremera Nickel Project, in order to earn a shareholding of up to 50% in Danyland.

Under the BHPB Agreement, the BHP Billiton investment will be realised in 3 stages as follows:

- during the first stage, BHP Billiton will spend US\$1,200,000 on initial exploration activities in order to earn a 10% equity in Danyland;
- during the second stage, BHP Billiton will spend US\$2,000,000 on target testing in order to earn a further 20% equity (total 30%); and
- during the third stage, BHP Billiton will spend a further US\$2,000,000 on resource definition and the completion of a concept study in order to earn the remaining 20% equity (up to a total of 50% interest in Danyland).

BHP Billiton may withdraw from the project during or after completion of any of the stages, but if it withdraws during a particular stage it retains only the equity earned by virtue of having completed the previous stage. The project will be managed by the Danyland board of directors, on which Dwyka and BHP Billiton will have equal representation.

Once BHP Billiton has fully satisfied its earn-in obligations, the parties will contribute to further development of the project in proportion to their percentage shareholdings in Danyland. Normal default and dilution provisions apply where a party fails to meet its share of project funding.



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GOLD

Swazigold Project

Recent activities

Soil geochemistry, structural mapping, rock chip and channel sampling and assaying commenced on the properties at the beginning of the quarter. This work will further define the known targets in preparation for the first phase of drilling set to commence in the next quarter.

About the project

The Swazigold Project is located in Swaziland, in the highly prospective Archaean Barberton Greenstone Belt that straddles the border between Mpumalanga Province, South Africa and Swaziland. Such Greenstone Belts host many major gold deposits in South Africa, Canada, and Australia, including the giant Kalgoorlie goldfield. The Barberton Greenstone Belt was the location of the first gold discovery in South Africa and subsequent gold rush in 1884. Since that time, the belt has produced 11.5 million ounces of gold. Current underground mines include the Fairview, Sheba and Consort mines of Barberton Mines Limited.

The Project area is a large 425 sq km 'greenfields' exploration play with many targets ranging from 'walk up' advanced drilling targets to promising geochemical anomalies. The prospective licence area comprises more than 40km of strike length containing multiple mineralised structures and more than 40 gold showings. Historic detailed drilling has been restricted to the Wyldsdales, Lomati and Daisy prospects where cumulative drilling by previous owners is in excess of 13,000 metres.

Dwyka's initial conclusion from a review of the geology and of this historic work is that the potential exists for several million tonnes of high grade gold mineralisation.

Shareholders and Earn-in Agreement in relation to Swazigold Project

On 16 July 2007, Dwyka's wholly-owned subsidiary Karrinyup Holdings Limited ("**Karrinyup**") entered into a Shareholders and Earn-in Agreement ("**Swazi Agreement**") in relation to Swazi Gold Ventures (Pty) Ltd ("**SGV**"), the holder of 90% of the issued shares in Swaziland Gold (Pty) Ltd ("**SwaziGold**"), which in turn owns the Swazigold Project.



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Under the terms of the Swazi Agreement, Karrinyup has the right to acquire the following percentage shareholdings in SGV on the following basis:

- Payment of US\$200,000 plus Dwyka shares to the value of US\$1,500,000 (at market price) – Karrinyup earns a 50% interest;
- US\$750,000 worth of project expenditure by 30 June 2008; payment of US\$200,000 plus Dwyka shares to the value of US\$1,000,000 (at 80% of market price) – Karrinyup earns a further 20% interest (total 70%);
- Payment of US\$400,000 plus Dwyka shares to the value of US\$1,000,000 (at 80% of market price) by 30 June 2009; project expenditure to reach bankable feasibility stage by 30 June 2011 – Karrinyup earns a further 15% interest (total 85%); and
- Issue of Dwyka shares to the value of US\$3,000,000 (at 80% of market price) pursuant to the exercise of an option exercisable at any time within 12 months after the date on which a bankable feasibility study is completed in relation to the Swazigold Project – Karrinyup acquires remaining 15% interest (total 100%).

Under the terms of the Swazi Agreement, Karrinyup will be the manager of the Swazigold Project, which will be overseen by a management committee in which the vendor shareholder in SGV and Karrinyup will each have equal representation. Voting will be in accordance with the parties' shareholding percentages in SGV, provided that the manager will have a casting vote in the event of a deadlock.

Karrinyup may withdraw from the Swazigold Project at any time, in which case it will dilute to a 49.9% shareholding in SGV and will relinquish management control. In addition, if such withdrawal occurs after the bankable feasibility stage, Karrinyup will have a 2% royalty with respect to all minerals produced from the Swazigold Project area.

DIAMONDS

Sale of diamond and industrial assets to KimCor

On 24 September 2007, the Company completed the sale of its portfolio of diamond and industrial assets to AIM listed KimCor Diamonds Plc ("**KimCor**"). The net effect of this transaction was that Dwyka sold its investments in, and



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loan receivables with respect to, various subsidiaries with a book value of \$16,820,000 in consideration of the issue to Dwyka of 134,383,718 ordinary shares in KimCor. Shareholder approval for this transaction was obtained from both Dwyka and KimCor shareholders.

Dwyka now owns 50.09% of the enlarged KimCor. As part of and contemporaneously with completion of this transaction, KimCor completed a capital raising of approximately GBP4.2 million (AUD10.1 million) at an issue price of GBP0.065 per KimCor share. These funds will primarily be used to finance capital development of the enlarged entity's South African assets.

CORPORATE

Issue of Shares

During the quarter the following shares were issued by the Company:

1. 2,777,778 fully paid ordinary shares were issued pursuant to the conversion of convertible loan notes with a face value of GBP1 million.

The series of loan notes which have now been wholly converted were issued on 22 June 2006, were unsecured and attracted a yield of 8% payable quarterly in arrears from the date of issue until a maturity date of 22 June 2010. The loan notes were able to be converted into Shares at any time until 22 June 2010, at a conversion price of GBP0.36 per Share.

2. 3,962,757 shares were issued to Savinara Company SA pursuant to the Swazi Agreement, as announced on 18 July 2007.
3. 2,349,400 shares were issued in total to Acorn Mining (Pty) Limited, Acorn Financial Instruments (Pty) Limited and Capital Frontiers LLC at an issue price of GBP0.35 (\$A0.84), releasing Dwyka from outstanding commitments and ongoing obligations relating to the acquisition of Bellsbank Mining Number One (Proprietary) Limited and Kophia Diamonds (Proprietary) Limited. These companies hold the Blaauwbosch, Newlands and New Elands Mines and were acquired in August 2005.

The settlement facilitated the negotiation process in relation to the sale of the Company's diamond interests to KimCor, which was completed on 24 September 2007.

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4. 1,000,000 shares were issued at a price of A\$1.00 per share, pursuant to the exercise of options by certain South African personnel under the terms of the Company's employee Option Plan; and 825,000 shares were issued at a price of A\$0.52 per share, pursuant to the exercise by certain South African personnel of options granted to them on 17 March 2007.

As at the end of the quarter, Dwyka had 130,494,206 Shares in issue.



MELISSA STURGESS
Chief Executive Officer

The technical exploration and mining information contained in this report was compiled by Adrian Griffin (Technical Director of the Company) and Ed Nealon (Chairman of the Company), both of whom are members of the Australasian Institute of Mining and Metallurgy and are considered to be Competent Persons in their respective area of expertise pursuant to the Australasian Code for Reporting of Mineral Resources and Ore Reserves.

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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 RESOURCES LIMITED

ACN or ARBN

098 060 938 552

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	2,582	2,582
1.2 Payments for (a) exploration and evaluation	(274)	(274)
(b) development	(183)	(183)
(c) production	(3,035)	(3,035)
(d) administration	(978)	(978)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	43	43
1.5 Interest and other costs of finance paid	(193)	(193)
1.6 Income taxes paid		
1.7 Other FOREX	(10)	(10)
Net Operating Cash Flows	(2,048)	(2,048)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	(227)	(227)
(b)equity investments		
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other cash acquired upon subsidiary acquisition	7,662	7,662
Net investing cash flows	7,432	7,432
1.13 Total operating and investing cash flows (carried forward)	5,384	5,384

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	5,384	5,384
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,446	1,446
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(75)	(75)
1.18	Dividends paid		
1.19	Other – capital raising costs		
	Net financing cash flows	1,371	1,371
	Net increase (decrease) in cash held	6,755	6,755
1.20	Cash at beginning of quarter/year to date	4,265	4,265
1.21	Exchange rate adjustments to item 1.20	(36)	(36)
1.22	Cash at end of quarter	10,984	10,984

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	83
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

During the quarter the Company completed a reverse takeover of AIM listed KimCor Diamonds plc by way of selling its diamond and industrial assets to KimCor in consideration for 50.1% of Kimcor.

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

During the quarter the company issued the following fully paid ordinary shares:

- 2,777,778 shares were issued at GBP0.36 pursuant to the conversion of GBP1 million convertible loan notes.
- 3,962,757 shares for the acquisition of an initial 50% interest in the Swazigold project
- 2,349,400 shares at \$A0.84 releasing Dwyka from outstanding commitments and ongoing obligations relating to the acquisition of Bellsbank Mining Number One (Proprietary) Limited and Kophia Diamonds (Proprietary) Limited.

+ 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	250
4.2 Development	150
Total	400

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	7,779	451
5.2 Deposits at call	3,205	3,814
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	10,984	4,265

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	Swazigold project	50% shareholding in holding company	0%	50%

+ 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 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter				
7.3 +Ordinary securities	130,494,206	130,494,206	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	825,000	825,000	\$0.52	\$0.52
	1,000,000	750,000	\$1.00	\$1.00
	2,777,778	2,777,778	GBP0.36	GBP0.36
	2,349,400	2,349,400	\$0.84	\$0.84
	3,962,757	3,962,757	\$0.434	\$0.434
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>		-		
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted	1,000 GBP1000 notes convertible at GBP0.36 on or before 22 June 2010	-	1000 GBP	1000 GBP
7.7 Options <i>(description and conversion factor)</i>	125,000	-	<i>Exercise price</i> \$0.52	<i>Expiry date</i> 30/6/2010
7.8 Issued during quarter				
7.9 Exercised during quarter	825,000	-	<i>Exercise price</i> \$0.52	<i>Expiry date</i> 30/6/2010
	1,000,000	-	<i>Exercise price</i> \$1.00	<i>Expiry date</i> 30/6/2009
7.10 Expired (cancelled) during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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: 31 October 2007
Company Secretary
Print name: Michael Langoulant

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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