

QUARTERLY REPORT 30 SEPTEMBER 2003

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

HIGHLIGHTS

- **Results from the recent sampling program in India provide encouraging results**
 - **Dwyka awarded a 70% interest in a prospecting permit covering an ex De Beers fissure property in South Africa.**
 - **A 57.55 carat diamond was recovered from Nooitgedacht and sold for US\$483,420.**
 - **Successful capital raising of £722,562 from London based institutional clients of Williams de Broe Plc.**
 - **Group cash on hand at the end of the quarter was A\$5.6 million.**
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INDIAN DIAMOND EXPLORATION PROGRAMME

- Second phase sampling of AMIL Licence A and B samples obtained during April was very successful with 5 high priority areas identified away from the 4 known Pipes identified previously.
- Ground magnetics completed within the priority 003 and 017 drainages highlighted seven magnetic targets. Full results are expected shortly.
- Ground magnetics are currently being carried out over new targets in the Chigucherla East and the 022 (AMIL A licence) drainage areas.

For details concerning the location of the Company's tenement holdings in India please refer to the map on the website located at: www.dwykadiamonds.com

SOUTH AFRICAN OPERATIONS

BOSELE FISSURE PROJECT

- Dwyka and its Black Economic Empowerment ("BEE") partner were awarded a prospecting permit on an ex De Beers diamond fissure property
- Dwyka to own 70%, with the BEE partner owning 30%
- Permit area interpreted as being an extension of fissures being mined successfully at nearby Messina, and historically at Dancarl

QUARTERLY REPORT 30 SEPTEMBER 2003

Proposed exploration programme

South African based geologist, Owen Dix, has been retained by Dwyka to oversee the exploration programme at Bosele. Owen was instrumental in the early development of Aquarius Platinum's Kroondal Platinum Project and is a well respected and highly experienced geologist.

The program will be directed by Dwyka's Chairman, Ed Nealon, the founder of the Kroondal Platinum Project and the driving force behind the success of Aquarius Platinum Limited.

The first phase of exploration has commenced with an initial site visit having been completed. A detailed report is being compiled and an announcement will be made to the market in the next few weeks.

NOOITGEDACHT ALLUVIAL MINE

During the quarter, mining operations were recommenced on the Nooitgedacht property. The mining operations at Nooitgedacht now have a low cost, low volume focus. During the first weeks after mining operations recommenced a diamond weighing 57.55 carats was recovered and sold for US\$483,420. This equates to US\$8,400 per carat for the "D" colour diamond, and it is the most valuable diamond ever recovered by Dwyka.

During the quarter Diamonds weighing 135.57 carats were recovered from 9,602 tonnes of gravel treated. This equates to a grade of 1.41 carats per one hundred tonnes. During the quarter diamonds weighing 99.3 carats were sold for a total of ZAR 3.6 million.

Industrial Division

The Industrial division has been experiencing very solid demand and the operation has moved to 24 hour per day production to satisfy demand. Revenue from the Industrial Division for the quarter was ZAR 6.8million and costs for the same period were ZAR 5.8 million. The Net Profit for the Industrial Division for the September was ZAR 1.0 million which was well ahead of budget.

CORPORATE

Placement

On 14 July 2003 the Company announced that it had placed, with the assistance of its London broker, Williams de Broë Plc, 5,255,000 fully paid ordinary shares in Dwyka to several institutional and private investment clients of Williams de Broë Plc at a price of 13.75 pence each (A\$0.34 per share).

QUARTERLY REPORT 30 SEPTEMBER 2003

The Company raised £722,562 (before the costs associated with the placing) from this placement.

Board Changes

As a result of the restructure of the South African operations over the past eight months, the South African based Directors, Mr Jahn Hohne and Mr Pierre de Villiers resigned from the Board of Directors of Dwyka, and its subsidiary companies, with effect from 25 July 2003.



GRANT BUTTON
Company Secretary

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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 DIAMONDS LIMITED

ACN or ARBN

098 060 938 552

Quarter ended ("current quarter")

30 September 2003

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	2,021	2,021
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(368) (1,553) (635)	(368) (1,553) (635)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	58	58
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other VAT/GST (paid)/received Other FOREX variance	(7)	(7)
Net Operating Cash Flows	(484)	(484)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(100) (4)	(100) (4)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	6	6
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(98)	(98)
1.13 Total operating and investing cash flows (carried forward)	(582)	(582)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(582)	(582)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,777	1,777
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(1)	(1)
1.18	Dividends paid		
1.19	Other – capital raising costs	(120)	(120)
	Net financing cash flows	1,656	1,656
Net increase (decrease) in cash held			
		1,074	1,074
1.20	Cash at beginning of quarter/year to date	4,494	4,494
1.21	Exchange rate adjustments to item 1.20	4	4
1.22	Cash at end of quarter	5,572	5,572

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	79
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	-
Total	350

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	5,436	4,047
5.2 Deposits at call	136	447
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,572	4,494

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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	61,057,696	61,057,696	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,255,000	5,255,000	\$0.34	\$0.34
7.5 *Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -		
7.7 Options <i>(description and conversion factor)</i>	3,000,000	-	<i>Exercise price</i> \$1.47	<i>Expiry date</i> 30/6/2006
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired 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 2003
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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