



A.C.N 060 938 552

QUARTERLY REPORT 30 JUNE 2007

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

NICKEL

Muremera Nickel Project

The Muremera licence is located within 2km of the Kabanga project operated by Xstrata/Barrick, the world's largest undeveloped nickel sulphide deposit.

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.

Acquisition of Danyland Limited

As part of the company's diversified growth strategy, Dwyka announced on 17 January 2007 that it had signed a share sale and purchase agreement ("**Danyland Agreement**") pursuant to which it acquired all of the issued shares in Danyland Limited ("**Danyland**"), owner of the Muremera nickel project in Burundi.

The total upfront consideration payable by Dwyka in respect of this acquisition was US\$2,000,000 (satisfied by the issue of Dwyka shares). In addition, a further US\$3,000,000 worth of Dwyka shares in total is payable subject to the achievement of certain project milestones.

Earn-in and Shareholders Agreement with BHP Billiton

The Company signed an Earn-in and Shareholders Agreement with BHP Billiton ("**BHPB Agreement**"), pursuant to which BHP Billiton has agreed to spend US\$5,200,000 on the Muremera nickel project in Burundi 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:

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- 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.

As previously announced on 7 March 2007 Dwyka has issued 3,237,671 shares to Allerton Horizon Limited, the nominee of the vendor under the Danyland Agreement, in satisfaction of a milestone payment due under the Danyland Agreement as a result of the signing of the BHPB Agreement.

GOLD

Swazigold Project

The 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.

SwaziGold's project area is a large 425km² 'greenfields' exploration play with many targets ranging from 'walk up' advanced drilling targets to promising

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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 Wyldsdale, Lomati and Daisy prospects where cumulate 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.

Memorandum of Understanding in relation to Swazigold project

On 7 March 2007, the Company signed a legally-binding Memorandum of Understanding ("MOU") with the shareholder of 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 in Swaziland (the "Project").

Under the terms of the MOU, Dwyka has the right to acquire the following percentage shareholding 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) – Dwyka 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) – Dwyka 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 – Dwyka 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 between 30 June 2009 and 30 June 2011 – Dwyka acquires remaining 15% interest (total 100%).

Under the terms of the MOU, Dwyka will be the manager of the Project, which will be overseen by a management committee in which the vendor shareholder and Dwyka will each have equal representation. Voting will be in accordance



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with the parties' shareholding percentages in SGV, provided that the manager will have a casting vote in the event of a deadlock.

Dwyka may withdraw from the 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, Dwyka will have a 2% royalty with respect to all minerals produced from the Project area.

It was announced on 18 July 2007 that a formal Shareholders and Earn-in Agreement containing the terms and conditions usual for such an agreement has been signed which replaces the MOU.

DIAMONDS

The Company is currently considering a number of corporate transactions at a subsidiary level, including a merger with a third party. In effecting any proposed change, Dwyka would seek to ensure that its local South African management team and corporate structure would remain intact, enabling the local subsidiaries to continue to realise their operational objectives without effecting any change of control of projects or assets.

De Beers Diamond Tailings Retreatment Project – RSA

Operation Restructure

The company operates a diamond tailings re-treatment plant in Kimberley, South Africa, through its 70% owned South African subsidiary Superkolong (Pty) Ltd ("Superkolong"). The remaining 30% of Superkolong is owned by Kolong Investment Holdings (Pty) Ltd, Dwyka's Black Economic Empowerment ("BEE") partner.

The tailings treated through Superkolong's plant are supplied by De Beers from nearby tailings dumps which have resulted from historic operations of De Beers in the Kimberley area.

Until the June quarter, De Beers had been paying Superkolong in accordance with its contractual toll treating arrangements, however the recovered grades were lower than expected and De Beers notified Superkolong of their intention to sell the dumps which supply feed to the Superkolong plant. Superkolong, together with other similar operators on those dumps, were invited to submit a tender to purchase the dumps. A joint bid to purchase the dumps has been



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submitted to De Beers. Subsequent to this submission, several meetings have been held with De Beers to negotiate terms on outstanding issues. The Company does not control timing of the process and has no guarantee of a positive outcome, however is of the opinion that the outcome of the bid will be known in the near future.

As an interim arrangement, De Beers have implemented certain amendments to the existing contract which will result in the following changes:

- removal of the initial contract supply limit of 50,000 tonnes per month – De Beers will now supply to Superkolong as many tonnes of tailings feed material as the plant can process in a particular month; and
- Superkolong will now bear all operating costs (including ore reclamation and delivery), but will be entitled to 100% of revenue from the sales of diamonds produced by the Superkolong plant.

The revised contract will operate for the period during which the purchase of the dumps is negotiated.

129,647 tonnes of kimberlite tailings were processed in the June quarter which resulted in the recovery of 5,651 carats of diamonds.

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

Revised exploration programs have been completed with a view of commencing on-site exploration activity in the September quarter.

Bosele Exploration – RSA

The Company commissioned a review of past exploration results. No field activity was undertaken.

New Elands Kimberlite Mine – RSA

Contract tailings at New Elands recommenced.

Nooitgedacht Alluvial Diamond Mine – RSA

Alluvial mining operations remained on care and maintenance. Aggregate, produced by crushing oversize reject from prior mining operations was used as feed for the brick and concrete business also operated by the Company in the Kimberley area thus reducing the material input cost of bricks and concrete.

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Underground Mining Operations – RSA

The Company continued to produce from the Newlands operation. Full production from Blaauwbosch was delayed due to poor ground conditions on the 145m production level. Production from Newlands and Blaauwbosch for the quarter is listed below.

Blaauwbosch

Tonnes	April	May	June
TOTAL UNDERGROUND	4,032	3,156	6,500
TOTAL TAILINGS	139	4,539	1,973
TOTAL TONNES PROCESSED	4,171	7,695	8,473

Carats	April	May	June
TOTAL UNDEGROUND RECOVERED	310	180	413
TOTAL TAILINGS RECOVERED	5	187	48
TOTAL	315	367	461

	April	May	Jun
CPHT Underground	7.69	5.72	6.36
CPHT Tailings	3.83	4.13	2.44
CPHT	7.56	4.78	5.45

Newlands

Tonnes	April	May	June
TOTAL UNDERGROUND	1,410	4,621	5,007
TOTAL TAILINGS	1,652	3,276	665
TOTAL TONNES PROCESSED	3,062	7,897	5,672

Carats	April	May	June
TOTAL UNDEGROUND RECOVERED	246	478	486
TOTAL TAILINGS RECOVERED	121	190	43
TOTAL	367	668	529

	April	May	June
CPHT Underground	17.48	10.35	8.74
CPHT Tailings	7.34	5.80	6.58



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CPHT	12.01	8.46	9.34
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Industrial Division – RSA

Dwyka's Industrial Division (Supermix) achieved combined concrete and brick sales of R4,593,101 for the June quarter. Rising demand for bricks has resulted in the implementation of two shift operations of the brick plant subsequent to the end of the quarter.

CORPORATE

Crest Enablement

Since 31 May 2007, interests in the Company's ordinary shares (ISIN number AU000000DWY1) (the 'Ordinary Shares') have been capable of being held and transferred within CREST, pursuant to a depository interest arrangement.

The Ordinary Shares have not themselves been admitted to CREST, but the Company has arranged for Computershare Investor Services Plc ('Computershare') to issue depository interests in respect of the underlying Ordinary Shares (the 'Depository Interests'). The Depository Interests may be held and transferred within CREST.

In CREST, the Depository Interests carry the same ISIN as the Ordinary Shares. It does of course remain open to shareholders, should they wish to do so, to continue to hold Ordinary Shares and make use of the residual settlement mechanism.

If CREST members wish to avail themselves of this facility, they can now do so by inputting a stock deposit in the usual way.

The Depository Interests are not be subject to SDRT. This is because the Depository Interests meet all of the criteria set out for the SDRT exemption granted in The Stamp Duty Reserve Tax (UK Depository Interests in Foreign Securities) Regulations 1999 (SI 1999/2383 as amended by SI 2000/1871 and SI 2001/3779).



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A handwritten signature in black ink, appearing to read "Melissa Sturgess", with a long, wavy horizontal line extending to the right.

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 June 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	2,653	8,711
1.2 Payments for (a) exploration and evaluation	(121)	(542)
(b) development	(136)	(1,885)
(c) production	(2,839)	(10,357)
(d) administration	(629)	(2,265)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	71	192
1.5 Interest and other costs of finance paid	(88)	(310)
1.6 Income taxes paid		
1.7 Other FOREX variance	(3)	660
Net Operating Cash Flows	(1,092)	(5,796)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		(533)
(c) other fixed assets		
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		17
(c)other fixed assets		159
1.10 Loans to other entities		(319)
1.11 Loans repaid by other entities		1
1.12 Other – cash acquired upon acquisition		128
Net investing cash flows	-	(547)
1.13 Total operating and investing cash flows (carried forward)	(1,092)	(6,343)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,092)	(6,343)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		5,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		56
1.17	Repayment of borrowings	(78)	(339)
1.18	Dividends paid		
1.19	Other – capital raising costs	(300)	(300)
	Net financing cash flows	(378)	4,417
	Net increase (decrease) in cash held	(1,470)	(1,926)
1.20	Cash at beginning of quarter/year to date	5,760	6,286
1.21	Exchange rate adjustments to item 1.20	46	(24)
1.22	Cash at end of quarter	4,336	4,336

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	119
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	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	522	3,254
5.2 Deposits at call	3,814	2,506
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,336	5,760

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				
7.3 +Ordinary securities	119,579,271	119,579,271	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	1,000 GBP1000 notes convertible at GBP0.36 on or before 22 June 2010	-	1000 GBP	1000 GBP
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	950,000 750,000	- - -	<i>Exercise price</i> \$0.52 \$1.00	<i>Expiry date</i> 30/6/2010 30/6/2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
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: 27 July 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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