

# Dwyka Diamonds Limited

ABN 98 060 938 552

## SUPPLEMENTARY PROSPECTUS

### IMPORTANT INFORMATION

This is a Supplementary Prospectus that should be read in conjunction with the prospectus dated 12 December 2002 ("**Original Prospectus**") issued by Dwyka Diamonds Limited ABN 98 060 938 552.

This Supplementary Prospectus is dated 8 January 2003. A copy of this Supplementary Prospectus was lodged with the Australian Securities and Investments Commission ("**ASIC**") and Australian Stock Exchange Limited ("**ASX**") on 8 January 2003. No responsibility for the contents of this Supplementary Prospectus is taken by the ASIC or ASX.

Defined terms used in this Supplementary Prospectus have the same meaning as given to those terms in the Original Prospectus.

### SUPPLEMENTARY INFORMATION - PROPOSED MERGER WITH GRAVITY CAPITAL LTD

The Company and Gravity Capital Ltd ACN 009 178 689 ("**Gravity**") propose to merge to create an enlarged diamond producing and exploration company.

It is proposed that, pursuant to a scheme of arrangement between Gravity and its shareholders, Dwyka will acquire all of the issued shares in Gravity and Gravity will become a wholly owned subsidiary of Dwyka.

The consideration for the acquisition of all of the issued shares in Gravity is the issue of two (2) Dwyka shares for every three (3) Gravity shares. If the merger is successful, Dwyka will issue approximately 10.47 million shares to the existing shareholders of Gravity. Accordingly, if the Offer is fully subscribed and the merger with Gravity is successful, on completion of the merger the issued capital of Dwyka will be approximately 70,272,696 Shares.

The proposed merger is subject to:

- execution of formal merger implementation and related agreements;
- completion of satisfactory due diligence by both parties;
- ratification by the respective boards of directors;
- successful renegotiation of arrangements by both parties with BHP Billiton; and
- shareholder and regulatory approvals.

Subject to the Court making the necessary orders, it is currently expected that the Gravity Capital shareholders should receive documentation in relation to the merger proposal in February 2003 with a Gravity shareholder meeting to approve the scheme proposed for March 2003.

Gravity is listed on ASX and is an exploration company whose principal activities since 1992 have been exploring for base metals and gold in the Gawler Craton of South Australia. Early exploration in particular focussed on the Tarcoola Goldfield where a global resource of 90,000 ounces was defined in and around the Perseverance prospect. More recently, exploration for copper gold deposits in the broader

region of Tarcoola has led to the identification of a number of prospects which have sparked renewed interest following the Prominent Hill discovery by Minotaur.

In December 2001, Gravity concluded the Falcon™ System Deployment Agreement with BHP Billiton. This gave Gravity access to the unique Falcon™ airborne gravity gradiometer system in Australia. In return, BHP Billiton has the right to acquire Gravity's interest in any major new discovery under favourable terms to the company. Based on this, over the past year Gravity has negotiated flying agreements to earn into a range of different high potential projects in Australia, in particular in diamond exploration and, to a lesser extent, base metals exploration.

The diamond projects include:

- Ellendale-Blina Project with Kimberley Diamond Company NL  

In a known producing diamond field, Gravity Capital may earn 50% of any new diamond pipes that are found by the Falcon™ system.
- North King George Project with Striker Resources NL  

In a region with small diamondiferous pipes, Gravity Capital may earn up to 60% in any new pipe discovered through the application of the Falcon™ system.
- Phillips Range Project with Thundelarra Exploration Limited and BHP Billiton Minerals Pty Ltd  

Gravity Capital is farming in to an agreement to earn BHP Billiton's equity in the project and can earn up to 60%. A previous small Falcon™ survey flown by BHP Billiton in the vicinity of the Aries Pipe and follow up fieldwork managed by Gravity led to the discovery of a new diamondiferous pipe, Niobe, to add to the potential of the region.
- Northern Australian Diamond Project with Rio Tinto Exploration Pty Ltd  

By application of the Falcon™ technology, Gravity Capital can earn 51% in any new pipe discovered.

Gravity has given and, at the time of lodgement of this Supplementary Prospectus, has not withdrawn its consent to be named in this Supplementary Prospectus and to the inclusion of information in relation to Gravity and the Falcon™ system in this Supplementary Prospectus.

## **DIRECTORS' CONSENTS AND AUTHORISATIONS**

Each Director of Dwyka Diamonds Limited has given and has not, at the date of this Supplementary Prospectus, withdrawn his written consent to the lodgement with the ASIC of this Supplementary Prospectus.

This Supplementary Prospectus is issued by Dwyka Diamonds Limited. Its issue was authorised by a resolution of the Directors and is signed on behalf of all Directors.

DATED: 8 January 2003

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**Evan Kirby**  
**DIRECTOR**

**This document is important and should be read in its entirety and in conjunction with the Original Prospectus. If you do not understand its contents, you should consult your stockbroker, accountant or other professional advisor without delay.**