



Dwyka
Diamonds
Limited

10 March 2004

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir,

RE: Dwyka achieves profit of A\$1.1 million for the December 2003 half - year

The Directors of Dwyka Diamonds Limited ("Dwyka") are pleased to announce that the Company achieved a profit after tax of A\$1,140,000 for the half year ended December 2003. This is a significant turnaround from the half year ended December 2002 when the result was a loss of A\$14,233,000.

This result reflects Dwyka's success in restructuring its South African interests, refocusing its Nooitgedacht alluvial mine on low cost, high grade mining and significantly cutting corporate and administrative costs.

INDIA

Exploration in Andhra Pradesh during the half year returned anomalies and a RAB drilling programme commenced in December to undertake initial testing of three targets. Fieldwork was hampered by difficulties accessing the ground due to ongoing rice harvesting in the region. The exploration team is now back in India, and will complete the drilling programme on known anomalies while continuing to sample recently granted prospective licences.

Over the past six months the profile of India as a significant global economic force, comparable to China, has become increasingly prevalent. Its consumption patterns are expected to change dramatically and increase significantly over coming years and the country has an increasingly favourable attitude to foreign investment. This bodes well for Dwyka's investment in India.

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SOUTH AFRICA

Nooitgedacht

- 57.55 carat stone sold for \$US483,420
- Average grade for the half year was 1.07 carats per one hundred tonnes, which is a significant improvement on historical performance.

Industrial Division

- Net cash profit for half year ZAR1.91m

Bosele Fissure

- Soil sampling, geochemical analysis and ground geophysics have been successfully completed. Several previously unknown fissures have been located on the property along with a significant extension of the Bobbejaan Fissure.
- A drilling programme to define the extent and size of the Bobbejaan Fissure will commence in March 2004.

Yours faithfully
Dwyka Diamonds Limited



Grant Button
Company Secretary

For further information please contact:

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Dwyka
Diamonds
Limited

DWYKA DIAMONDS LIMITED

A.C.N. 060 938 552

HALF-YEARLY REPORT
31ST DECEMBER 2003

**DWYKA DIAMONDS LIMITED
AND ITS CONTROLLED ENTITIES**

CORPORATE DIRECTORY

DIRECTORS	E.F.G Nealon M.J. Sturgess E. Kirby
COMPANY SECRETARY	G.M Button
REGISTERED OFFICE	Level 4, HPPL House 28-42 Ventnor Avenue WEST PERTH WA 6005 Telephone: (+61 8) 9324 2955 Facsimile: (+61 8) 9324 2977
ADVISER AND BROKER	Williams de Broë Plc 6 Broadgate London EC2M 2RP United Kingdom
AUDITORS	PricewaterhouseCoopers QV1 250 St. Georges Tce PERTH WA 6000 AUSTRALIA
LAWYERS TO THE COMPANY	Australia: Clayton Utz QV1 250 St Georges Tce PERTH WA 6000 South Africa: Werksmans Attorneys 155 – 5 th Street Sandown Sandton 2196 SOUTH AFRICA

SHARE REGISTRY

Australia:
Computershare Investor Services Pty Ltd
Reserve Bank Building
Level 2
45 St George's Terrace
PERTH WA 6000

United Kingdom:
Computershare Investor Services Pty Ltd
Po Box 859
The Pavillions
Bridgewater Road
Bristol BS99 1XZ
UNITED KINGDOM

ASX CODES

Shares: DWY
Option: DWYO

AIM CODE

Shares: DWY

DIRECTORS' REPORT

The Directors present their report for the half-year ended 31 December 2003.

DIRECTORS

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

Ed Nealon
Melissa Sturgess
Evan Kirby
Pierre De Villiers (resigned 25 July 2003)
Jahn Hohne (resigned 25 July 2003)

REVIEW AND RESULTS OF OPERATIONS

Dwyka undertook a restructuring of its operations during the 2003 financial year. As a result, the number of executives and administration staff employed by the Company was significantly reduced which lowered the Company's operational cost base.

The South African mining operations had been closed in February 2003 prior to the restructuring of activities. During the half-year to December, the Company has begun to benefit from the restructuring undertaken during the previous period. The Nooitgedacht alluvial diamond mine was re-opened with a minimum cost, selective mining focus. The Nooitgedacht mine and the Industrial Division both returned cash profits for the half-year.

The Consolidated result for the half-year helps to demonstrate the value of the Company's restructuring by posting a profit after tax of \$1.1 million (a significant turn around from the disappointing result recorded during the previous year).

During the half-year the Company maintained its efforts to meet its corporate goal of making the transition to hard-rock diamond exploration and mining, that had commenced in the previous financial year through the BHP Billiton Alliance Agreement to explore for diamonds in India. This was complemented during the period by the grant of a prospecting permit over the Bosele Fissure project in South Africa.

Indian Diamond Exploration Programme

Dwyka has an Alliance Agreement with BHP Billiton to explore for and develop world-class hard rock diamond deposits in India. Achievements for the half-year include:

- **Drill testing of targets for new kimberlites commenced;**
- **Exploration commenced on three new exploration licences in Andhra Pradesh state - orientation sampling of major known kimberlite body carried out; and**
- **One new licence granted in Karnataka state – total granted area for the India Alliance (Dwyka Diamonds Limited/BHPB Billiton) now at 15,637 km².**

Dwyka commenced the half-year by receiving results from a second phase sampling programme of the AMIL Licence A and B samples obtained during the April field programme. The sampling was very successful with five high priority areas identified away from the four known Pipes identified previously.

During the second quarter of the half-year, Dwyka recommenced field activities. Several discrete drill targets in each of the four main target zones not attributable to the Chigucherla Cluster in Andhra Pradesh state were identified. Shallow drill testing commenced in two target zones and 15 holes (302 metres) were completed. Access to several prime drill targets was delayed due to ongoing intensive agricultural activities. It is anticipated that the balance of the drilling programme on the three current targets will be undertaken during the March quarter.

Exploration also commenced in new licence areas in the state of Karnataka during the latter part of the half-year. Orientation sampling of the known Kotakonde kimberlite in the Mahbubnagar licence was completed and results are expected shortly. This kimberlite (one of several reported within the licence area) is one of India's largest kimberlitic bodies with an extent of over 1500 metres by 100 metres and is part of the extensive Narayanpet-Maddur kimberlite cluster with in excess of 30 kimberlitic bodies identified to date. Although reported to be non-diamondiferous, only limited testwork has been carried out to date by Indian Government agencies.

Additional licences have been granted in prospective cratonic areas of the states of Karnataka and Madhya Pradesh. Sampling of those new licences, which are proximal to known diamondiferous kimberlites, is scheduled to be undertaken during the March quarter.

South African Operations

Bosele Fissure Project (Dwyka Diamonds 70%)

During the half-year, Dwyka and its Black Economic Empowerment (“BEE”) partner were awarded a prospecting permit covering a kimberlite fissure property previously held by De Beers. Dwyka has 70% ownership of the project with the remaining 30% held by its BEE partners, Kolong Investments.

The Bosele project covers an area of 1135Ha contiguous with the Dancarl Diamond Mine owned by De Beers. The Dancarl Mine has exploited the Bobbejaan Fissure right up to the boundary of Dwyka's Bosele tenements. Dancarl has mined the fissure to a depth of 480 metres at a reported grade of 75ct/100t.

Dwyka commenced exploration activities in December 2003 with the objective of tracking the extension of the Bobbejaan Fissure onto the Bosele property. The first phase of soil sampling, geochemical analysis and ground geophysics has been completed and a drilling programme is expected to commence in March 2004.

In addition to the Bobbejaan Fissure, the Bosele tenements cover three diamond bearing fissures called East, Magazine and Water. There is also geological evidence for kimberlitic 'blows' on the property. The exploration programme will test the economic potential of all of these targets to form the basis of a stand-alone underground diamond mine for Dwyka.

Nooitgedacht Alluvial Diamond Mine (Dwyka Diamonds 100%)

Achievements over the half-year include:

- **Diamond mining operations at Nooitgedacht recommenced in July 2003;**
- **A 57.55 carat diamond was recovered from Nooitgedacht and sold for US\$483,420; and**
- **Average diamond grade for the half-year was 1.07 carats per one hundred tonnes.**

Diamond mining operations recommenced on the Nooitgedacht property during late July 2003 with a minimum cost, selective mining 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 approximately US\$8,400 per carat for the 'D' colour diamond. This is the most valuable diamond ever recovered by Dwyka.

In the latter part of the half-year, the Company completed the sale of its two Finlay screening machines. This in turn led to a drop in the grade of material arriving at the plant due to increased fines dilution. Lack of scalping capacity also limited plant throughput on blocky ground. The Company has commissioned an engineering firm in Kimberley, South Africa to construct a semi mobile scalping machine and additional conveyors to address these issues. The plant modifications will allow the feed tonnage to the gravel treatment plant to be increased to 12,000 tonnes per month. The increased throughput should be achieved by the end of March 2004.

During the half-year, diamonds weighing 291.12 carats were recovered from 27,209 tonnes of gravel treated. This equates to a grade of 1.07 carats per one hundred tonnes. This result was considered to be very positive in light of the lower grade experienced following the sale of the Finlays.

The Company currently has a 200 carat parcel of diamonds in stock. This includes an 18 carat diamond that is anticipated to achieve a good price at tender.

Industrial Division

Significant achievements for the period include:

- **Strong demand particularly for bricks during the half-year;**
- **Net cash profit for the half-year was ZAR 1.91 million.**

The Industrial division has experienced strong demand during the half-year which led to the Brick plant moving to 24 hour per day operations and working through the end of year holiday period. This good demand is anticipated to continue at least until the end of the current financial year.

Revenue from the Industrial Division for the half-year was ZAR 14.9 million and costs were ZAR 13 million. The net cash profit for the Industrial Division for the half-year was ZAR 1.91 million, which was well ahead of budget.

The 30 June 2003 financial statements reported a subsequent event relating to an agreement whereby the Dwyka Group (“Group”) would acquire a 70% interest in the share capital of Basfour 2624 Pty Ltd (“Basfour”). Under the terms of the agreement for the acquisition of an interest in Basfour, the Group will fund 100% of the costs associated with the exploration of the Bosele project through to bankable feasibility status. In addition the Group will transfer 30% of its shareholding in Biz Afrika 546 (Pty) Ltd to the seller. There has been no further changes in regards to this agreement, however as at 31 December 2003 the agreement has not been finalised.

Evaluation and Development Properties

Blaauwfontein project (Dwyka Diamonds 100%)

The Blaauwfontein property is located on the farm Blaauwfontein covering approximately 1,811 hectares in area, 16 km’s south of Douglas in the Hopetown district of the Northern Cape Province. The project has 2.5 km’s of river frontage on the Orange River, approximately 15 km’s upstream of its confluence with the Vaal River.

No field work was undertaken during the half-year as the Company is awaiting the renewal of its prospecting permit for the project area.

Melkvlei Project (Dwyka Diamonds 100%)

The Melkvlei property is located on the farm Longlands 231, which is 45 km’s north-west of Kimberley in the Barkly-West district of the Northern Cape Province. The project is located on the northern bank of the Vaal River and covers approximately 755 hectares in area.

No field activities were undertaken during the half-year.

Negotiations are currently underway for the sale of Dwyka’s interest in this property.

Pypklip Project (Dwyka Diamonds 100%)

The Pypklip property is located 25km north of Lichtenburg, within the northern catchment area of the Hartz River, in the Lichtenburg diamond fields of the North West Province.

No field work was undertaken during the half-year.

Dwyka is continuing discussions with several parties concerning the possible transfer of its interest in this property.

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).

The Company raised £722,562 (\$A1,786,700) (before the costs associated with the placing) from this placement.

Board changes

As a result of the restructuring of the South African operations during the 2003 financial year, 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.

Sale of shares in Gravity Capital Limited

During the half-year the Company received \$1,142,644 from the sale of some of the shares the Company holds in Gravity Capital Limited. Dwyka realised a profit on the sale of these Gravity Capital Limited shares of \$784,000. Dwyka still holds 725,958 shares in Gravity Capital Limited as at the date of this report.

Matters Subsequent to the end of the half-year

No matters or circumstances have arisen since 31 December 2003 that have significantly affected, or may significantly affect:

- a) the consolidated entity's operations in the future financial periods,
- b) the results of those operations in future financial periods, and
- c) the consolidated entity's state of affairs in future financial periods.

Dated at Perth this 10th day of March 2004.

Signed in accordance with a resolution of the Directors.



M Sturgess
Chief Executive Officer

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	Note	Half-year Ended 31 Dec 2003 \$'000s	Half-year Ended 31 Dec 2002 \$'000s
		<u> </u>	<u> </u>
Revenue from sale of goods		3,682	3,633
Cost of sales		<u>(2,335)</u>	<u>(2,883)</u>
Gross profit		1,347	750
Other revenue from ordinary activities			
Proceeds from sale of plant and equipment		1,064	1,154
Proceeds from sale of investments	3	1,147	-
Other		240	230
Other expenses from ordinary activities			
Administration		(1,458)	(3,354)
Borrowing costs expense		(3)	(156)
Cost of investments sold	3	(363)	-
Foreign exchange losses	3	-	(1,755)
Mining properties, exploration expenditure and plant and equipment written off	3	-	(9,571)
Written down book value of plant and equipment sold		<u>(845)</u>	<u>(901)</u>
Profit/(Loss) from ordinary activities before income tax benefit	2	1,129	(13,603)
Income tax benefit/(expense)		<u>11</u>	<u>(630)</u>
Net profit/(loss) from ordinary activities		<u>1,140</u>	<u>(14,233)</u>
Net profit/(loss) attributable to members of Dwyka Diamonds Limited		<u>1,140</u>	<u>(14,233)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>1,140</u>	<u>(14,233)</u>
Basic earnings/(loss) cents per share		1.88	(27.55)
Diluted earnings/(loss) cents per share		1.88	(27.55)

The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	Note	31 Dec 2003	30 June 2003
		\$'000s	\$'000s
CURRENT ASSETS			
Cash		6,846	4,494
Receivables		1,042	373
Inventories		120	172
Total Current Assets		8,008	5,039
NON-CURRENT ASSETS			
Investments		196	399
Property, plant & equipment		3,080	3,960
Exploration and evaluation expenditure		1,604	1,144
Deferred tax assets		34	24
Other		37	37
Total Non-Current Assets		4,951	5,564
TOTAL ASSETS		12,959	10,603
CURRENT LIABILITIES			
Accounts payable		801	1,226
Interest bearing liabilities		-	2
Provisions		259	272
Total Current Liabilities		1,060	1,500
TOTAL LIABILITES		1,060	1,500
NET ASSETS		11,899	9,103
EQUITY			
Contributed equity	4	40,352	38,696
Accumulated losses		(28,453)	(29,593)
Total Equity		11,899	9,103

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR HALF-YEAR ENDED 31 DECEMBER 2003**

	Half-year Ended 31 Dec 2003 \$'000s	Half-year Ended 31 Dec 2002 \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	3,174	4,488
Payments to suppliers and employees (inclusive of GST)	(4,317)	(7,167)
Interest received	131	74
Interest paid/finance costs	(3)	(156)
Net cash outflow from operating activities	(1,015)	(2,761)
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for plant & equipment	(46)	(231)
Proceeds from sale of plant and equipment	1,064	1,154
Purchase of investments	-	(822)
Proceeds from sale of investments	1,147	18
Payment for exploration expenditure	(460)	(339)
Payment for acquisition of controlled entity	-	(705)
Net cash inflow/(outflow) from investing activities	1,705	(925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(2)	(548)
Proceeds from Issue of Shares	1,787	3,145
Payment for equity issue costs	(130)	(61)
Net cash inflows from financing activities	1,655	2,536
Net increase/(decrease) in cash held	2,345	(1,150)
Cash at the beginning of the reporting period	4,494	6,164
Exchange rate adjustments	7	154
Cash at the end of the reporting period	6,846	5,168

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

1. **BASIS OF PREPARATION OF HALF-YEAR REPORT**

This general purpose financial report for the interim half-year reporting period ended 31 December 2003, has been prepared in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) other authoritative pronouncements of the Australian Accounting Standards Board 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 2003 and any public announcements made by Dwyka Diamonds Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

2. SEGMENT INFORMATION

The consolidated entity operates primarily in three geographical segments being South Africa, India and Australia where it conducts primarily diamond mining and exploration.

Half-year 2003	South Africa \$'000s	Australia \$'000s	India \$'000s	Consolidated \$'000s
Total segment revenue	4,872	1,261	-	6,133
Segment result	1,409	(247)	(22)	1,140
Half-year 2002				
Total segment revenue	4,860	156	-	5,016
Segment result	(12,958)	(1,275)	-	(14,233)

3. PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX

Profit from ordinary activities after related income tax expense includes the following items of revenue and expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:

	31/12/03 \$'000	31/12/02 \$'000
Profit on sale of investments	784	-
Foreign currency exchange gain/(loss)	7	(1,755)
Mine properties, exploration expenditure and plant and equipment written off	-	(9,571)

4. EQUITY SECURITIES ISSUED

	<u>31/12/03</u>	<u>31/12/02</u>
	\$	\$
The following equity securities were issued by the parent entity during the period:		
5,255,000 ordinary shares at \$0.34 each to raise general working capital	1,786,700	-
1,072,577 ordinary shares at \$0.50 each to raise working capital to progress the Indian joint venture activities	-	536,289
1,850,000 ordinary shares at \$0.50 each, with a free option exercisable at \$0.60 on or before 30 June 2003, to raise working capital to progress the Indian joint venture activities	-	925,000

Movements in ordinary share capital:

Date	Details	Issue price	Number of shares	\$
1/7/2002	Opening balance		51,007,542	36,359,468
6/11/02	Placement	\$0.50	1,072,577	536,289
29/11/02	Placement	\$0.50	1,850,000	925,000
	Total issue costs			(61,370)
31/12/2002	Balance		<u>53,930,119</u>	<u>37,759,387</u>
1/7/2003	Opening balance		55,802,696	38,695,676
16/7/03	Placement	\$0.34	5,255,000	1,786,700
	Total issue costs			(130,332)
31/12/2003	Balance		<u>61,057,696</u>	<u>40,352,044</u>

**DWYKA DIAMONDS LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

The Directors declare that the financial statements and the notes set out on pages 9 to 14:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion :

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that Dwyka Diamonds 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 Director

Dated at Perth, this 10th day of March 2004.

Independent review report to the members of Dwyka Diamonds Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Dwyka Diamonds Limited (the Company) for the financial half-year ended 31 December 2003 included on Dwyka Diamonds Limited web site. The Company's directors are responsible for the integrity of the Dwyka Diamonds Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide any assurance on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Dwyka Diamonds Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Dwyka Diamonds Limited Group (defined below) as at 31 December 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Dwyka Diamonds Limited Group (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises both Dwyka Diamonds Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing the directors' report, our procedures include reading the directors' report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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 followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



David J Smith
Partner

Perth
10 March 2004