



Dwyka  
Diamonds  
Limited

11 November 2004

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

Dear Sir,

**RE: Acquisition Due Diligence Update**

The Directors of Dwyka Diamonds Limited ("Dwyka") announced on 29 July 2004 that the Company has entered into option agreements to acquire three diamond mines, Blaauwbosch, Newlands and New Elands, all located in the Kimberley region of South Africa. All of the mines have historical production but were closed at varying times due to flooding, inappropriately applied capital, and inappropriate mining methods being utilised.

Since that time a fourth mine, West End, has also been included in the option agreement. The West End Mine is located 200km west of Kimberley and also has significant historical production.

Of the four mines, Blaauwbosch and Newlands have been reopened by the current owners, who are mining and treating both underground ore and tailings.

Dwyka also retains a separate option over the Zoet en Zuur high-grade fissure system.

**Black economic empowerment**

The four optioned mines are owned by an empowered structure which is compliant with the black economic empowerment (BEE) legislation in South Africa. It is anticipated that the transaction will be completed in such a way that the assets come into the Dwyka structure with BEE compliance in place.

**Exclusivity period and due diligence process**

Dwyka has an exclusivity period until 31 January 2005 to assess the merits of the mines and to reach a fair value acquisition price with the vendors. The Directors of Dwyka anticipate that the owners of the assets would become shareholders in Dwyka and contribute significantly to the future growth of the Company.

As part of Dwyka's due diligence procedures, mining and processing at Blaauwbosch and Newlands is being monitored for a three month period. The monitoring includes measuring the tonnes removed from underground and the grade of the underground production at the plant. Tailings are being processed separately to ascertain the relative grades and values of the underground and tailings ore. Actual on-mine costs are also being measured.

### **Valuation of Recovered Diamonds**

Diamonds recovered during the monitoring period will be independently valued in early December when a reasonable size sample of diamonds has been recovered.

The Directors of Dwyka are confident that the due diligence process being undertaken will result in a fair and equitable transaction and a strong partnership with the vendors going forward.

Yours faithfully

**Dwyka Diamonds Limited**



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**Melissa Sturgess**  
**Chief Executive Officer**

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