



6 November 2002

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

Dear Sir,

**Dwyka signs Alliance Agreement with BHP Billiton and  
Attracts International Diamond Trader to Share Register**

Dwyka Diamonds Limited ("**Dwyka**" or "**Company**") is pleased to announce that it has signed an alliance agreement with BHP Billiton ("**BHP Billiton**") to explore for and develop world class hard rock diamond deposits. BHP Billiton has named Dwyka a "partner of choice" in diamond exploration and development and will support Dwyka by taking equity to help fund work programmes that will initially be undertaken in India, where BHP Billiton has been very active for the past two years. In addition, Rosy Blue NV, one of the world's largest diamond trading and manufacturing companies will become a shareholder in Dwyka. Antwerp based Rosy Blue has 25,000 employees across 11 countries worldwide and annual revenues in excess of US\$800m.

Under the Indian Government's new national mineral policy, exploration of previously 'reserved' minerals is now allowed by the private sector. As a result there has been a 'diamond rush' into India by the major players, notably De Beers, Rio Tinto, BHP Billiton and Ashton. Dwyka's alliance with BHP Billiton will immediately put Dwyka onto known diamond bearing kimberlites in a country that is underexplored by modern methods.

India is probably the last great diamond bearing region to remain unexplored, which is surprising considering diamonds were found there around 3000BC and a cutting and polishing industry subsequently flourished. Post-1650 records show the discovery of many of the world's great diamonds from India including the Kohinoor (793cts), the Great Moghul (787cts), and the Pitt and Regent (410cts). These diamonds were found from within the Dharwar Craton in Andhra Pradesh, the location of the Dwyka/BHP Billiton alliance. Until diamond discoveries were made in Brazil (1725), South Africa (1866) and Borneo (circa 1866) India was the world's sole source of diamonds.

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BHP Billiton is the world's largest diversified resources company with a market capitalisation in excess of US\$30 billion. It owns and operates the Ekati Diamond Mine in Canada and has many years of expertise in all facets of diamond exploration, production and marketing, providing further value to the alliance arrangements.

The Dwyka/BHP Billiton alliance covers some 55,000 square kilometres of prospective ground in a combination of approved BHP Billiton licences and licence applications. The alliance also covers a further 6,500 square kilometres of licence area on which BHP Billiton has been working for two years, which Dwyka will acquire from Captain S P Singh ("**AMIL Licences**"). Four known diamondiferous kimberlites have been identified on the AMIL Licences, and these will comprise the immediate targets of the alliance. The AMIL Licences have been sampled by BHP Billiton at a density of 1 per 50 square kilometres resulting in 227 (+30kg) samples. A total of 678.5 line kilometres of ground magnetics have been run on mine grids, and 1200 metres of diamond drilling have been completed in 10 holes; all drill results are expected during late December to early January.

The four kimberlites recognised have been surface sampled for microdiamonds with results as follows:

Kimberlite	Surface sample weight (kg)	Number of diamonds recovered	Recovered grade (cpht)
Pipe CC-1	4.62	63	18
Pipe CC-2	6.09	81	24
Pipe CC-4	10.08	135	26
Pipe CC-5	4.60	125	11

The stones recovered are predominantly white colours and are dominated by octahedral and twinned shapes. The best grade pipe (CC-4) has also returned a classic G10 garnet signature in common with some of the world's great diamond mines. This gives Dwyka grounds for its hope of developing an economic grade pipe.

Dwyka will have operational and managerial responsibility for the Indian exploration programme. A Steering Committee comprising representatives from Dwyka and BHP Billiton will oversee the development of the licences and will provide technical and other support where required. The key BHP Billiton personnel who have been responsible for the work to date in India will be available to and may be seconded to Dwyka to ensure technical and managerial continuity of the BHP Billiton work programme.

During the exploration and early evaluation stages BHP Billiton will fund 15% of the exploration costs in India by way of subscription for Dwyka shares. Until the Steering Committee makes the decision to proceed to a 200 tonne kimberlite bulk sample on any of the targets, BHP Billiton has the right to 51% ownership of the target by refunding 300% - 500% of Dwyka's historical costs relating to the target's project area. If BHP Billiton does not exercise its right, Dwyka retains 100% ownership of the licence. Once BHP Billiton decides to move to 51% of the project, a joint venture between BHP Billiton and Dwyka will be formed under which BHP Billiton will be solely responsible for funding 100% of development through to completion of a Bankable Feasibility Study. Mine construction and

development costs will be funded 51% by BHP Billiton and 49% by Dwyka and cashflow from mining will be split on the same basis. If requested, BHP Billiton will assist Dwyka with debt funding for its percentage of mine development costs.

Any future diamonds exploration licences applied for in India by BHP Billiton or by Dwyka will be subject to the alliance agreement.

Initially Dwyka will make available a 'pool' fund of US\$2,000,000, capable of increase up to a maximum of US\$5,000,000, to be utilised exclusively in the Indian alliance venture. Subject to the approval of Dwyka shareholders, BHP Billiton will contribute 15% (US\$300,000 via a placement in Dwyka) of the initial pool funds for India up to a limit of US\$750,000 if the 'pool' fund is increased by Dwyka to US\$5,000,000. Rosy Blue will also subscribe for US\$300,000 worth of shares in Dwyka.

In addition to the BHP Billiton placement Dwyka intends to underpin its funding capability by placing in the vicinity of 4 million shares, each with one free attaching option. The options will rank pari passu with the current 2003 expiry options, which have an exercise price of 60 cents.

### **Board Changes**

Dwyka Diamonds would also like to announce a number of changes to the Board of the Company. Jack Griffin retires as Chairman and Jeff Mews retires as a director. The Board would like to thank both Mr Griffin and Mr Mews for their substantial contributions to Dwyka during its formative stages. Mr Ed Nealon will assume the role of Non-executive Chairman and Melissa Sturgess will move to the position of Executive Director. Dr Evan Kirby will be appointed as Technical Director.

## ANNEXURE

### Arrangements with Captain S P Singh

#### *Indirect acquisition of AMIL Licences*

- Dwyka and Captain S P Singh ("**Singh**") have entered into the Kohinoor Share Sale Agreement, under which it is proposed that Dwyka will acquire all of the issued shares in Kohinoor Mining International Limited ("**Kohinoor**"), a Mauritian company which in turn owns 100% of AMIL Mining India Private Limited ("**AMIL**"). AMIL is the holder of the AMIL Licences and has also applied for further licences in the State of Orissa.
- Consideration is payable to Singh on a staged basis for the acquisition of Kohinoor. Initially, Dwyka will make an initial payment to Singh comprising A\$100,000 cash and 800,000 new Dwyka shares. Three further payments, each comprising either Dwyka shares to the value of A\$500,000 or a combination of cash (A\$100,000) and shares (worth A\$400,000), are payable when key development points are reached in relation to the first AMIL Licence to achieve that relevant stage of development.
- The Kohinoor Share Sale Agreement is subject to a number of conditions, including Dwyka completing satisfactory due diligence investigations in relation to AMIL and obtaining the approval of Dwyka shareholders.

#### *Services and ongoing arrangements*

- Dwyka and Singh have agreed to enter into a Services and Share Sale Agreement, which is conditional on completion of Dwyka's acquisition of Kohinoor.
- Under the Services and Share Sale Agreement, Singh will provide services to Dwyka in relation to facilitating the grant of Indian diamond licences. Singh will also provide consultancy services to Dwyka as and when they may be required. Dwyka will reimburse Singh for historical services provided by Singh prior to the date of the agreement.
- Singh will present Dwyka with new business opportunities in relation to Indian diamond projects which he becomes aware of from time to time, and will not otherwise compete with Dwyka in relation to Indian diamond opportunities unless he first obtains Dwyka's approval. Dwyka has a first right of refusal to participate in new opportunities presented by Singh from time to time.
- Dwyka will purchase all of the issued shares in Crown Technical Services Private Limited ("**Crown**") from Singh. Crown has submitted a bid for the highly prospective D7 block in the Indian region of Chhatisgarh, which is currently being tendered by the Indian government. The acquisition of the D7 block, with an area of some 4,500 square kilometres, would be a significant strategic addition to Dwyka's burgeoning portfolio of Indian diamond interests. If Crown's bid is successful, Dwyka will pay to Singh staged consideration on a similar basis to the arrangements made under the Kohinoor Share Sale Agreement.

## Framework Agreement with BHP Billiton

### *Exploration and development*

- Dwyka must spend US\$40/sq km on each Initial Licence (being licences not owned by Dwyka) before it is entitled to an equity interest in such licences. Once it has reached this expenditure threshold, it can require BHP Billiton to transfer ownership of the relevant Initial Licence to Dwyka for potential sale to a third party (providing BHP Billiton does not wish at that time to exercise its option to retain a 51% interest in the subject licence).
- Once Dwyka has spent the initial US\$2,000,000 Pool Amount, it can require BHP Billiton to transfer all Initial Licences to Dwyka, provided that BHP Billiton's rights to acquire a 51% interest continue to apply until such time as Dwyka has completed a bulk sample with respect to each licence and BHP Billiton has at that time indicated that it does not wish to exercise its option to acquire an ownership interest.
- Dwyka has responsibility to keep the Initial Licences and the AMIL Licences in good standing, including making day-to-day payments associated with their upkeep. BHP Billiton will provide Dwyka with all information necessary for Dwyka to comply with these obligations.
- If the parties agree that a particular licence is not worth developing further, or Dwyka is actively involved in appraising a discovery in relation to another licence, Dwyka may sell, farmout or dispose of the first licence notwithstanding it may not at that time have reached the US\$40/sq km spending threshold.

### *Exercise by BHP Billiton of ownership options*

- BHP Billiton has rights to buy-in to Dwyka Licences and to retain equity in Initial Licences, each to the value of 51%. These rights generally apply until such time as Dwyka has both met the expenditure threshold of US\$40/sq km for the relevant licence and has reached the development stage of having processed a bulk sample. However, if Dwyka has both met the minimum spending amount and notifies BHP Billiton that it wishes to transfer the subject licence (or an interest in it) to a third party, BHP Billiton must at that time exercise its option to acquire or retain an ownership interest, failing which Dwyka will obtain clear title to the relevant licence, free from any further BHP Billiton buy-in rights.
- The Purchase Price payable by BHP Biliton on exercise of its buy-in options is 500% of Dwyka's historical costs if Dwyka has processed a bulk sample, or 300% of those costs if BHP Billiton exercises its option at an earlier stage of development. The area in respect of which the price applies depends on a number of factors as follows:
  - If a contiguous group of licences exists (called a "**Block**"), and none of those licences have been sold by Dwyka to a third party, BHP Billiton will pay for all Expenditure incurred on that entire Block (notwithstanding part of its area may have been relinquished in accordance with applicable law or as otherwise agreed between the parties). Similarly, if the target area ("**Project Area**") is not part of a Block, BHP Billiton will reimburse Dwyka for all Expenditure incurred on the total Project Area.

- If Dwyka has sold certain licences that were formerly part of a Block to third parties, BHP Billiton is only obliged to reimburse Dwyka for Expenditure incurred on the remaining portion of that Block upon a decision by BHP Billiton to acquire an interest in that Block.
- If BHP Billiton decides at some point prior to the exercise of its buy-in/retention rights that it does not want to incur additional costs on a particular area within a Block, Dwyka may nonetheless incur additional costs with respect to that area at its sole risk (such area is thereafter designated as a "**Sole Risk Area**"), however BHP Billiton is not obliged to purchase the Sole Risk Area if it elects to obtain an interest in the Block which the Sole Risk Area previously formed part of. Unless BHP Billiton elects also to purchase the Sole Risk Area when it acquires an interest in the relevant Block, Dwyka's additional costs incurred on that Sole Risk Area will not be repaid by BHP Billiton.
- Dwyka's rights to receive reimbursement of its costs in relation to the AMIL Licences do not arise until Dwyka has spent US\$500,000 in total on such licences by the time BHP Billiton elects to buy-in to any of them. This threshold applies to compensate BHP Billiton for expenses it has incurred to date in relation to the AMIL Licences.

*Relationships with third parties*

- Dwyka can pursue opportunities with third parties independently of the alliance, provided BHP Billiton gives its consent.
- If BHP Billiton is interested in participating in an opportunity involving a third party, that opportunity will form part of the alliance arrangements. Consequently, Dwyka must attempt to achieve a concluded deal on terms which gives BHP Billiton similar rights to those it has in respect of other diamond licences under the Framework Agreement (or such lesser terms as BHP Billiton considers satisfactory). BHP Billiton has the right to acquire 70% of Dwyka's interest in third party arrangements which are brought within the alliance.

Yours faithfully  
**DWYKA DIAMONDS LIMITED**

**Willi Boehm**  
Company Secretary