



21 September 2005

DIAMOND PROCESSING AND EXPLORATION DRILLING COMMENCES AT NEWLANDS, SA

Highlights

- Treatment of ore recommences at Newlands Diamond Mine
- Design capacity of 5,000 tonnes per month expected to be reached by the end of September 2005
- Testing of additional blows on Newlands property to take place in Q4 2005 to secure additional tonnages of ore

Dwyka Diamonds Limited ("Dwyka" or "the Company"), the AIM and ASX listed diamond producer and project developer, today announced the recommencement of ore processing at its recently acquired Newlands Mine in South Africa.

Since acquiring the Newlands Mine, and two other hard rock diamond projects in August 2005, Dwyka has made excellent progress in optimising production potential. From recommencement of operations earlier this week the plant is planned to be up to its design capacity of 5,000 tonnes per month by the end of September 2005. The improved liberation from finer crushing in the upgraded plant should result in significantly improved diamond recovery grades. At full production Dwyka anticipates processing 5,000 tonnes per month to produce about 14,500 carats per annum, with an annual value of about US\$1.6 million.

Whilst the plant was off-line, a total of 7,000 tonnes of underground ore was stockpiled which the plant will treat during the ramp up of mining operations.

NEWLANDS EXPLORATION

The Newlands property has significant potential for additional ore reserves from an exploration program that will commence during Q4 2005. Dwyka's current production is from "Blow 2", one of only five known diamondiferous kimberlites on the property. It is Dwyka's intent to drill "Blow 4" in the coming months as this appears to be the largest kimberlite on the Newlands property, and is amenable to immediate open-pit mining.

In addition, several completely untested fissures linking the blows exist on the property, and Dwyka intends to map and test these fissures in the coming year. The fissures could add significant extra tonnage to the Newlands resource.

Commenting today Melissa Sturgess, Executive Chairman, of Dwyka Diamonds said: "Following Dwyka's acquisition of Newlands and two other hard rock diamond mines in August 2005 we have worked hard to recommence production at the project following extensive plant restructuring. We were able to achieve significant improvements in recovered grades at Nooitgedacht, our alluvial diamond mine in South Africa, and we are expecting the same results at Newlands. Production at Newlands gives Dwyka its third



Dwyka
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revenue stream, which combined with our other projects which are due to come on line in the coming months, puts us in a strong position for the 4th quarter, 2005.

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