



2 February 2007

Share Purchase Plan

Further to the announcement made by the Company on 17 January 2007, the Company announces that it is today making an offer ("**Offer**") to persons registered as holders of Dwyka shares as at 5:00pm (Western Australian summer time) on 5 February 2007 ("**Record Date**") for such persons to subscribe for up to A\$5,000 worth of Dwyka shares at A\$0.31 each pursuant to a shareholder Share Purchase Plan ("**SPP**").

The key terms and conditions of the Offer are as follows:

- The Offer is being made to all persons registered as holders of shares as at the Record Date who have an address (as recorded in the Company's register of members) in Australia, New Zealand or the United Kingdom, or in any other jurisdiction in which it is lawful and practical for the Company to offer and to issue shares under the SPP ("**Eligible Shareholders**"). The Offer is not made in any jurisdiction in which, or to any person to whom, it would not be lawful to make the Offer ;
- The closing date for the Offer ("**Closing Date**") is 5:00pm (Western Australian summer time) on 2 March 2007;
- The Offer is non-renounceable, meaning that Eligible Shareholders cannot transfer their entitlement to purchase shares under the Offer to another person;
- Eligible Shareholders may accept the Offer by returning a completed Entitlement and Application Form, together with a cheque for the purchase price (in A\$) for the number of shares applied for, on or before the Closing Date;
- The issue price in relation to the Offer is A\$0.31, which represents a discount of 34.4% on the trading price over the 5 days on which sales of Dwyka shares were recorded on ASX prior to 2 February 2007 (the date of the Offer), of A\$0.472;
- The maximum number of shares for which an Eligible Shareholder may subscribe under the Offer is 16,129 shares and the minimum number of shares that may be subscribed for is 1,613 shares (equating to A\$500 worth of shares);
- No brokerage, commissions or other transaction costs will be payable by Eligible Shareholders in respect of their application for, and allotment of, shares under the SPP;
- The Offer is underwritten by Montagu Stockbrokers Pty Ltd; and

- The Company intends to issue and allot shares under the SPP on 12 March 2007.

A copy of the Offer document is available on the Company's website at www.dwykadiamonds.com. In addition, the Offer document will be sent to Eligible Shareholders shortly.

For further information please contact:

In Australia
Mike Langoulant
Dwyka Diamonds Limited
(+618) 324 2955

In United Kingdom
Richard Brown
Ambrian Partners Limited
(+44) 20 7776 6417

Laurence Read/Leesa Peters
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(+44) 20 7429 6605/(+44) 20 7429 6600

Or visit: <http://www.dwykadiamonds.com>

Dwyka Diamonds Limited

SHAREHOLDER SHARE PURCHASE PLAN

Eligible Shareholders can purchase up to \$5,000 of Dwyka Diamonds Limited Shares

This is an important document and should be read in its entirety. This document is not a prospectus for the purposes of the Prospectus Rules (UK) or the Corporations Act 2001 (Cth). The value of the offer made in accordance with this document is less than €2.5million and therefore falls under the exemption in Article 1(2) the Prospectus Directive (EU) and section 85(5) and paragraph 9(1), Schedule 11A of the Financial Services and Markets Act 2000 (UK). If you have disposed of all of your shares in Dwyka Diamonds Limited, this document and the Entitlement and Application form should be handed or sent to the purchaser of those shares or the broker, banker or other agent through whom the disposal was effected. If you have any doubts as to what you should do, you should seek advice from your stockbroker, accountant, solicitor, other professional adviser or (UK) other independent financial adviser authorised under the Financial Services and Markets Act 2000 .

Offer Closes: 2 March 2007



2 February 2007

Dear Shareholder

Invitation to participate in Dwyka's Shareholder Share Purchase Plan

The Board of Directors of Dwyka Diamonds Limited ("**Dwyka**" or "**Company**") is pleased to advise you of the introduction of this Shareholder Share Purchase Plan ("**Plan**"). The Plan entitles existing shareholders in the Company ("**Shareholders**"), irrespective of the size of their shareholding, to purchase up to \$5,000 worth of shares in the Company ("**Shares**") at a discount to the market price and free of all brokerage and commission ("**Offer**").

The Offer is underwritten by Montagu Stockbrokers Pty Ltd ("**Underwriter**"). The Underwriter may be issued with up to 4,347,556 Shares pursuant to the Plan where one or more of the eligible shareholders fails to subscribe for the maximum number of Shares available to them under the Offer.

Participation in the Plan is entirely voluntary and is subject to the terms and conditions attached to this letter. If you wish to participate in the Plan, you must complete and lodge the attached Entitlement and Application Form or before the **Closing Date of 5pm WST on 2 March 2007**.

As an incentive to Shareholders, the Shares are being offered at an issue price of \$0.31 cents, which is a 20% discount to the market price (calculated by reference to the average price for the Shares over the 5 trading days immediately preceding 17 January 2007, the date on which the Offer was announced). However, you should note that the market price of the Shares may rise or fall between the date of the Offer and the date on which the Shares are allocated to you. This means that the issue price you pay for the Shares may exceed the market price of the Shares at the date of allotment of the Shares under the Offer. You should obtain your own financial advice in relation to the Offer and consider price movements of the Shares prior to accepting the Offer.

The Directors of Dwyka intend to subscribe for Shares under the SPP with respect to their own shareholding.

As set out in the announcements dated 17 and 18 January 2007 and 2 February 2007, Dwyka has acquired all of the shares in Danyland Limited which holds the Muremera nickel project which is located within 2km of the Kabanga project, the world's largest undeveloped nickel sulphide deposit. The funds raised from this Offer and a further placement are to be used to develop the Muremera project and to continue the development of the Company's diamond assets. The further placement will be made to sophisticated investors and other exempt offerees at the same subscription price as this Plan. Offers under the Plan to Shareholders do not require shareholder approval. However, the Company is seeking shareholder approval for the issue of shares pursuant to the underwriting of the Plan and under the placement for the purposes of ASX Listing Rule 7.1 at a General Meeting of Shareholders on 12 March 2007. The Notice of General Meeting seeking shareholder approval for this placement and other related matters is enclosed.

If you have any queries concerning the Offer, please contact Melissa Neil from Computershare Investor Services, the Company's share registry, on +61 8 9323 2005.

We thank you for your continued support for our Company and welcome your participation in the Plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Melissa Sturgess', written over a thin horizontal line.

Melissa Sturgess
Executive Chairman

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Dwyka Diamonds Limited ACN 060 938 552

98 Colin Street, West Perth WA 6005 Australia Postal Address: PO Box 368 West Perth WA 6872 Australia

Tel: (+61 8) 9324 2955 Fax: (+61 8) 9324 2977 Email: info@dwykadiamonds.com Website: www.dwykadiamonds.com

KEY DATES

DATE	EVENT	
5 February 2007	Record date	The date on which Dwyka determines Eligible Shareholders
2 March 2007	Closing Date	Share Purchase Plan closes. Applications must be received by the Company by 5.00pm (WST)
12 March 2007	General Meeting	Shareholder approval for the change in the Company's name to Dwyka Resources Limited and for the Placement is sought
12 March 2007	Plan Issue Date	Shares issued under Plan
26 March 2007	Placement Closing Date	Placement closes (if not closed sooner)

Dwyka has the discretion to alter some Key Dates without prior notice to shareholders.

PLAN TERMS AND CONDITIONS

Participation

Participation in the Plan is open to all persons registered as holders of Shares at 5.00 pm WST time on 5 February 2007 ("**Record Date**") who have an address (as recorded in the Company's register of members) in Australia, New Zealand or the United Kingdom or in any other jurisdiction in which it is lawful and practical for the Company to offer and to issue Shares under the Plan ("**Eligible Shareholders**"). This Offer is not made in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

Participation in the Plan is entirely at the discretion of Eligible Shareholders. An Eligible Shareholder may:

- apply for up to a maximum of **five thousand dollars (\$5,000)** worth of Shares, being up to a maximum of 16,129 Shares and not less than a minimum of five hundred (\$500) worth of Shares, being a minimum of 1,613 Shares; or
- do nothing, in which case the 16,129 Shares to which the Eligible Shareholder is entitled will revert to the Underwriter.

Offers are non-renounceable, meaning that Eligible Shareholders cannot transfer their entitlement to purchase Shares under an Offer to another person.

Pricing

As an incentive to Shareholders, the Shares are being offered at an issue price of \$0.31 cents, which is 80% of the volume weighted average market price for Shares over the 5 days on which sales of Shares on ASX were recorded prior to 17 January 2007, the date this Offer was announced. This represents a discount of 34.4% on the trading price over the 5 days on which sales of Shares on ASX were recorded prior to 2 February 2007, the date of this Offer, of \$0.472 cents.

The Offer also provides an opportunity for those Eligible Shareholders with less than a marketable parcel of shares (\$500 worth) to increase their shareholding to a marketable parcel level.

Limit on participation

In order to comply with ASIC regulations, an Eligible Shareholder may not acquire more than \$5,000 worth of Shares under the Plan in any 12 month period, taking into account all applications including joint and other beneficial interests. The maximum number of 16,129 Shares which each Eligible Shareholder may apply for will apply even if an Eligible Shareholder has received more than one Offer (whether in respect of a joint holding or because the Eligible Shareholder has more than one holding under separate share accounts). Dwyka reserves the right to reject any acceptance where this rule or any other term of the Plan has not been complied with.

Allotment of Shares

It is the Board's intention to issue Shares under the Plan on or around 12 March 2007.

Shares allotted under the Plan will rank equally in all respects with all other fully paid ordinary shares in the Company on the date of their issue.

Dwyka will, promptly after allotment of Shares under the Plan, apply for the Shares to be quoted on ASX and admitted to trading on the AIM Market of the London Stock Exchange.

Costs of participation

No brokerage, commissions or any other transaction costs will be payable by Eligible Shareholders in respect of their application for, and allotment of, Shares under the Plan.

Lodgement Instructions

To participate in the Plan an Eligible Shareholder must return a completed Entitlement and Application Form, together with a cheque for the purchase price for the number of Shares applied for, on or before the **Closing Date of 5pm WST on 2 March 2007**.

Completed forms may be mailed or delivered to:

Mailing Address

Computershare Investor Services
GPO Box D182
PERTH WA 6840

Delivery Address

Computershare Investor Services
Level 2, 45 St Georges Tce
PERTH WA 6000

Once an application has been made it cannot be revoked. All valid applications will be deemed to have been accepted on the Closing Date.

Declaration and Acknowledgements

By forwarding a cheque and completing Entitlement and Application Form, an Eligible Shareholder:

- confirms that he/she/it is an Eligible Shareholder for the purposes of the Plan;
- acknowledges that the Eligible Shareholder has read, understood and agrees to be bound by the terms and conditions of the Plan;
- agrees to accept any lesser number of Shares than the number of Shares applied for;
- confirms that the total cost of all Shares purchased by the Eligible Shareholder (including through joint and beneficial holdings) does not exceed \$5,000; and

- agrees to be bound by the constitution of Dwyka in respect of the Shares issued to the Eligible Shareholder.

Additional Information

The Plan will be administered by the Board, or a committee or delegate of the Board, which will have an absolute discretion to:

- determine appropriate procedures for administration of the Plan; and
- resolve conclusively any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan whether generally or in relation to any participating Eligible Shareholder, or application for Shares, and any such resolution will be binding on all participants and other persons to whom the resolution relates.

The Plan and these terms and conditions of the Plan may be suspended, terminated or amended at any time by the Board.

The Board reserves the right to refuse an application if it considers that the applicant is not an Eligible Shareholder or has not otherwise complied with the terms of the Plan or for any other reason. If an application is refused, application monies received will be refunded without interest.

DWYKA DIAMONDS LIMITED

Shareholder Share Purchase Plan Entitlement and Application Form

Please insert name and address as shown on your Issuer or CHESS holding statement:

SURNAME:..... Mr/Mrs/Ms/Miss:.....

Given Names:

or

Company Name:..... A.C.N.

Address in full:.....

..... State:..... Postcode:.....

Daytime Phone: HIN / SRN No:

TO THE DIRECTORS, DWYKA DIAMONDS LIMITED:

I/We, the above mentioned, being registered as ordinary shareholder(s) in the Company do hereby apply for the number of shares as stated below at an issue price of \$0.31 cents per Share, being 80% of the volume weighted average market price for Shares over the last 5 days on which sales in Shares were recorded prior to 17 January 2007, issued in accordance with the Dwyka Shareholder Share Purchase Plan and the constitution of the Company.

NUMBER OF NEW SHARES	PRICE PER SHARE	AMOUNT ENCLOSED
		\$ _____

- The minimum number of shares you can apply for is 1,613 which will cost you \$500.
- The maximum number of shares you can apply for is 16,129 which will cost you \$5,000.
- You can purchase any number of shares between the maximum and minimum.

I/We enclose my/our cheque being payment of \$0.31 cents for each new fully paid ordinary share applied for.

I/We agree to be bound by the Company's Constitution and the terms of the Dwyka Shareholder Share Purchase Plan.

INSERT DETAILS OF YOUR CHEQUE OR BANK CHEQUE – PLEASE COMPLETE IN BLOCK LETTERS

Name of Drawer	Cheque No.	BSB	Account No.	Amount

RETURN OF THIS DOCUMENT WITH YOUR CHEQUE FOR PAYMENT WILL CONSTITUTE YOUR APPLICATION FOR SHARES UNDER THE TERMS OF THE DWYKA SHAREHOLDER SHARE PURCHASE PLAN

DWYKA DIAMONDS LIMITED

Shareholder Share Purchase Plan

INSTRUCTIONS ON HOW TO COMPLETE THE ENTITLEMENT AND APPLICATION FORM

Payment

The amount of your cheque should be equal to the total number of shares for which you apply multiplied by \$0.31 cents. Payment must be made in Australian currency only. Cheques should be made payable to "Dwyka Diamonds Limited" and crossed "**Not negotiable**". Receipts for payment will not be issued.

Cash payment will not be accepted. Cheques will be deposited on their day of receipt. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonored.

Lodgement Details

Your completed form, together with your cheque for the purchase price for the number of shares you wish to acquire, on or before the **Closing Date of 5pm WST on 2 March 2007**.

Your completed form may be mailed or delivered to:

Mailing Address

Computershare Investor Services
GPO Box D182
PERTH WA 6840

Delivery Address

Computershare Investor Services
Level 2, 45 St Georges Tce
PERTH WA 6000

Privacy

As a shareholder in Dwyka, Chapter 2C of the *Corporations Act 2001* requires information about you (including your name, address and details of the shares you hold) to be included in Dwyka's public register. This information must continue to be included in Dwyka's public register if you cease to be a shareholder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding.

Questions

If you have any queries concerning the offer, please contact Melissa Neil from Computershare Investor Services on +61 8 9323 2005.