



Dwyka
Diamonds
Limited

18 April 2005

Dwyka to proceed with acquisition of four kimberlite diamond mines in South Africa

(ASX: DWY.AX) (AIM: DWY.L)

HIGHLIGHTS

- **Dwyka to pay R4 million cash and 2.75 million (value R11 million) Dwyka shares to acquire the Blaauwbosch, Newlands, New Elands and West End Mines located in the Northern Cape in South Africa**
- **Further performance related payments possible of R1 million cash and Dwyka shares to maximum transaction value of R40 million**
- **Extensive due diligence completed on assets including trial mining periods at Blaauwbosch and Newlands to confirm mining costs and diamond grades and values**
- **Immediate capex programme of R10.65 million to be applied to expand production at Blaauwbosch and Newlands and to re-commence production at West End**
- **Significant further expansion planned with re-opening of the New Elands Mine**
- **Board strengthened with COO and CFO appointments**

Acquisition

The Directors of Dwyka Diamonds Limited ("Dwyka" or the "Company") today announce that the Company has entered into a Heads of Agreement ("HOA") to purchase Bellsbank Number One (Pty) Ltd, Kophia Diamonds (Pty) Ltd and Rex Exploration (Pty) Ltd.

These companies own the four hard rock diamond mines, Blaauwbosch, New Elands, Newlands and West End, which Dwyka has had under Option since August 2004.

Dwyka has agreed to initially pay the vendors of the four mines a total of R11 million in Dwyka shares (2.75 million shares at a Dwyka share price of 35 pence) and R4 million in cash. In addition the transaction makes provision for the payment of an additional R1million cash and R24 million in Dwyka shares if certain hurdles are met in relation to the operating and financial performance of the mines.

Development opportunity

Dwyka believes that production for Blaauwbosch, Newlands and West End can be ramped up to in excess of 8,000 carats per month at a value of about US\$100 per carat in present day values. At R6.05/USD (exchange rate today R6.29/USD) the Company expects these three mines to generate a profit of approximately A\$4 million per annum. Further expansion is planned with the re-opening of the New Elands Mine, for an expected capital expenditure of R8.3 million. The deal structure provides Dwyka with significant upside on production rates, production efficiencies, diamond price increases and Rand weakness.



Dwyka
Diamonds
Limited

Commenting today, Dwyka CEO Melissa Sturgess said “The acquisition of these production assets into the Dwyka portfolio represents a significant value opportunity for Dwyka shareholders. One of Dwyka’s strengths has been in bringing assets up the value curve to optimum production levels and our due diligence indicates to us there are huge opportunities for us here.

The acquisition of these mines completes Dwyka’s transformation to an operating diamond mining company. Along with two further diamond transactions that are near completion, Dwyka will continue to pursue an aggressive, value creating growth strategy.”

Evaluation

Since August 2004, Dwyka has monitored the performance of the two operating mines, Blaauwbosch and Newlands. Monitoring included measuring tonnes removed from underground mining, the plant’s production grade and diamond values. Evaluating real production has allowed Dwyka to build a highly accurate model regarding on-mine costs and possible production scenarios. The Company has been able to clearly identify areas where the Dwyka team can enhance production, as they did at the Nooitgedacht Mine in 2004.

Extensive accounting and legal due diligence in relation to the acquisition of the four mines has already been undertaken. Dwyka will now complete these due diligence activities and move to finalise sales documentation.

Board changes

This transaction represents a significant step forward in Dwyka’s growth. To ensure the Company manages its increased portfolio effectively, two changes are to be made to the Board. Dr Evan Kirby, currently non-executive Director, will move to the position of Chief Operating Officer and will be responsible for the operating performance of Dwyka’s assets in conjunction with Cedric Bredekamp, Dwyka’s South African Operations Manager. Mike Langoulant, currently Company Secretary, will move to the position of Chief Financial Officer. These directors will be remunerated in line with Dwyka’s other directors. The Dwyka board now comprises of the following:

Mr Ed Nealon	Non Executive Chairman
Ms Melissa Sturgess	Chief Executive Officer
Dr Evan Kirby	Chief Operations Officer
Mr Mike Langoulant	Chief Financial Officer

For further information please contact:

In Australia:

Melissa Sturgess
Dwyka Diamonds Limited
(+618) 9324 2955

In United Kingdom:

Joe Nally
Williams de Broë Plc
(+44) 20 7588 7511

Laurence Read/ Leesa Peters
Conduit PR
(+44) 20 7936 9095 / (+44) 7979 955 923

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