



Dwyka  
Diamonds  
Limited

15 December 2004

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

Dear Sir,

**RE: Update on Due Diligence on South Africa Diamond Mines**

### **Highlights**

- Newlands grade and value expectations confirmed by independent valuations
- Production models/profitability studies based on strong Rand
- Monitoring period extended to March 2005 - Blaauwbosch test sample to be enlarged

As announced to the Australian Stock Exchange and London's AIM on 11 November 2004, Dwyka Diamonds Limited ("Dwyka" or the "Company")(DWY), the diamond producer and developer in Southern Africa and India, is currently undertaking due diligence on four mines located in the Kimberley region in South Africa.

### **Mining Monitoring Period**

Mining and processing at two of the mines, Blaauwbosch and Newlands, has been monitored since late October 2004. 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.

### **Newlands**

During the monitoring period Newlands mining grades have been in line with Dwyka's expectations. Four independent valuations of the recovered diamonds achieved values also in line with expectations.

### **Blaauwbosch**

Blaauwbosch mining grades have also been in line with Dwyka's expectations. Four independent valuations of the recovered diamonds indicated that the parcel of diamonds recovered was not large for an accurate average value to be ascertained. Independent statistical analysis of the parcel of stones suggests that a further monitoring period to increase the size of the diamond parcel available for valuation should be undertaken.

## **Rand strength**

Since June 2004 the South African Rand has strengthened from R6.50/US to approximately R5.70/US, impacting significantly on miners' margins in South Africa. De Beers has announced an internal initiative to assess the ability of its mines to operate at R5.00/US. Whilst Rand strength impacts on operators' margins, it places Dwyka in the relatively strong position of being able to undertake due diligence and operational planning with Rand strength in mind. As part of the current due diligence, Dwyka is assessing various levels of production which will be optimal at differing exchange rates, thereby allowing for, and reducing the impact of, any continued Rand strength.

## **Extension of period of exclusivity and negotiation**

To enable a larger sample of stones to be recovered from Blaauwbosch and to allow concentrated sensitivity analysis based on various Rand exchange rates and mine planning scenarios, the vendors and Dwyka have agreed to extend the period of exclusivity until 31 March 2005.

## **Strategic Outlook**

Dwyka has had significant success in enhancing production grades and margins at its existing Nooitgedacht project in Southern Africa. Our focus during this period of due diligence is to assess whether these mines can benefit from Dwyka's expertise and enhance our production portfolio in the near-term.

Yours faithfully

**Dwyka Diamonds Limited**



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**Melissa Sturgess**  
**Chief Executive 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