



29 June 2006

## **Dwyka to fast track Bosele Exploration Programme**

Dwyka Diamonds Limited ('Dwyka' or 'the Company'), the AIM and ASX quoted diamond developer and producer, today announced that it will fast-track its prospective Bosele Exploration Project, via the issue of a series of unsecured convertible loan notes to the value of GBP1 million, rather than waiting to fund the programme from future operating cashflows.

Previous work at Bosele recovered more than 40 diamonds from two mini bulk samples taken from the property and processed by De Beers in Kimberley, South Africa. Following further assessment of the property the Board has taken the decision to pursue a geophysics and diamond drilling programme to obtain samples of the source rock and test it for indicator minerals and diamonds.

Previous drilling by Dwyka revealed that the volcanoclastic sediments exceed a vertical thickness of 200 m; however, none of the holes drilled penetrated the base of the sedimentary sequence. The sandy sediments in the upper part of that sequence were proved diamondiferous by means of a 270-tonne bulk sample. These sandy sediments look similar to the sandy tuffs of Western Australia's lamproites, in particular those at Argyle. Further, eight of the diamonds found in the bulk sample have similarities to the producing lamproite bodies in Western Australia, in that the diamonds are highly resorbed (unlike most South African diamonds, apart from those recovered from the Premier Mine).

Dwyka has successfully identified diamondiferous sediments, which fill a large crater structure at Bosele. The sediments, which are of volcanoclastic origin, contain various kimberlitic indicator minerals (ilmenite, Cr-spinel, garnet, Cr-diopside and diamond). Future exploration at Bosele will focus on these diamondiferous sediments and attempt to locate the magmatic source of the volcanic activity. The purpose of this next phase of exploration is to establish, beyond doubt, that a kimberlite/lamproite extrusive event was the cause of the crater.

Following a positive result, further testing of the kimberlite/lamproite source will be undertaken. Bulk testing of the crater lake sediments is also planned as these still have the potential to host commercial quantities of diamonds.

The funds may also be applied to further underground development work at both the Newlands and Blaauwboch Diamond Mines and for general working capital.

The Convertible Loan Notes are unsecured and attract a yield of 8%, payable quarterly in arrears, from the deemed issue date of 22 June 2006 to the maturity date of 22 June 2010.

Each of the Loan Notes can be converted to fully paid ordinary shares of Dwyka, at any time until 22 June 2010, at a conversion price of GBP0.36. The number of shares issued upon conversion of the Convertible Loan Notes is subject to proportionate



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adjustment for bonus issues, share splits etc. Upon the change of control involving the acquisition of over 50% of the Company's ordinary shares the holders of the notes can require the Company to repurchase their notes at a price equal to 101% of the principal amount plus interest.

From 12 months after the deemed issue date the Company can call the Loan Notes for conversion if the 20 day average price of the Company's ordinary shares is at least GBP0.55.

Today, Adrian Griffin, Dwyka's CEO, commented that: "Funding via this convertible loan note provides the cash resources to fast track our work at Bosele whilst minimizing the dilution effect for existing shareholders. It means we can deliver to our shareholders the cashflow generated from our operating assets, combined with strong exploration upside. The unsecured nature of the loan note demonstrates the lenders expectations that the Company's assets will provide a strong increase in income streams over the next few years."

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