



7 May 2008

## **Dwyka Resources Limited ('Dwyka' or the 'Company')**

### **Option to acquire interest in Philippines coal project**

Dwyka is pleased to announce that it has entered into an option giving it the ability to acquire an interest in the Daguma and Bonanza coal deposits located on the Philippines island of Mindanao (collectively, the "**Project**").

#### Highlights:

- From historical drilling, Dwyka estimates an initial overall Project resource of in excess of 200 million tonnes of medium calorific value coal, suitable for the export and domestic power markets
- Aggressive drilling programme to be pursued with the aim of increasing the Project resource significantly
- Project is ideally located close to the coast (approximately 45 kilometres away), making it suitable to supply the export markets or in-country power stations
- Options allow Dwyka, subject to shareholder approval, to acquire an initial 30% interest in the Project, with the possibility of increasing this interest to a maximum of 100%
- Option fees payable by Dwyka only on exercise.

Dwyka has today signed an option agreement ("**ACRL Option Agreement**") which will enable it, subject to shareholder approval, to acquire an initial 30% interest in the Project.

The Project is located to the south of the island of Mindanao, The Republic of The Philippines and comprises 10 coal Blocks, each having an area of approximately 10 square kilometres (giving a total Project area of approximately 100 square kilometres). Two of the Blocks have been the subject of significant historical drilling (32 holes) and other work, including the completion of a scoping study. The scoping study and various other evaluations of the two Blocks have estimated an in situ resource in excess of 200 million (non-JORC compliant) tonnes of coal. Dwyka considers that there is the potential to drill up a measured, defined resource of at least 150 million tonnes of coal within 24 months with the intention of bringing the Project into production. The remaining 8 Blocks are also located within the same geological coal basin, termed the Cotabato Basin, and have recently been proven to be coal bearing through a combination of drilling, pitting and trenching. Dwyka considers these Blocks to be highly prospective, with the potential to be of similar size or even exceeding the two main Blocks. The Company is also planning to initiate an extensive grid drilling programme on the remaining 8 Blocks, which will enable resource estimation and classification to occur within the next 12 months.

Historical analysis of the coal present at the Project suggests that it is of medium calorific value, approximately 5,300 Kcal/kg, making it suitable for both the export market to India

and China and for in-country power stations and industrial (cement) purposes. The Philippines has ready demand for coal for power stations. Other coal miners in The Philippines are already exporting similar calorific value coal to India, China and Hong Kong.

Pursuant to the ACRL Option Agreement, the Company has an option (“**ACRL Option**”) to acquire 100% of the issued shares in Asian Coal Resources Limited (“**ACRL**”). In turn, ACRL and its local partner, MANA Resources Development Corporation (“**MRDC**”), collectively hold options (“**Project Options**”) which, if exercised, would enable them to acquire an initial 30% interest in the Project, with the possibility of increasing that to a maximum of 100%. In addition, ACRL is currently a 40% shareholder in MRDC and has an option to increase this to a 100% interest in MRDC. ACRL and MRDC are finalizing a shareholders’ agreement between them to ensure that the two entities act with a common purpose in relation to the Project.

The exercise of the ACRL Option (which would trigger the subsequent exercise by ACRL and MRDC of the Project Options, enabling an initial 30% interest in the Project to be acquired) is subject to the approval of Dwyka shareholders in general meeting under the ASX Listing Rules. In this regard, Dwyka will release a shareholder circular/notice of meeting in due course which will convene that meeting and will provide shareholders with detailed information about the proposed transaction and its effects.

It is anticipated that the Project costs through to January 2009, including initial option exercise expenses as well as costs related to further exploration and drilling, equipment purchases and staffing will be in the order of GBP10m. Dwyka will be responsible for funding those costs and it is proposed that this will occur primarily via a placement to institutional shareholders. Further staged payments, the first of which would occur in July 2009, would be payable should Dwyka elect to increase its Project interest above 30%.

Should shareholders vote in favour of the transaction, Dwyka intends to aggressively pursue development of the Project to bankable feasibility, with a view to commencing production as soon as possible.

Speaking today in relation to the signing of the ACRL Option Agreement, Melissa Sturgess, Chief Executive Officer of the Company said:

“We are very excited about the prospect of acquiring an interest in a project with the potential for near-term production, which is located in what we believe is the most significant recently discovered coal province in the Philippines. The Project will complement Dwyka’s existing assets and further our stated aim of diversifying into key commodities with a view to generating maximum value for shareholders. Given the strong global demand for coal and record prices experienced recently, the timing of this acquisition is excellent. We look forward to bringing the Project into production as quickly as possible to capitalise on these factors”.

The technical exploration and mining information contained in the above announcement has been reviewed and approved by Ed Nealon, who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is qualified as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Nealon is a Dwyka Resources Limited Director and meets the criteria of a qualified person under the AIM Guidance Note for Mining, Oil and Gas Companies. Mr Nealon is a member of the Australasian Institute of Mining and Metallurgy.

Ed Nealon consents to the inclusion in this announcement of such information in the form and context in which it appears.

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#### **Notes to editors:**

Dwyka is focusing on the diversified minerals sector in order to achieve maximum value for shareholders during the ongoing resource boom.

In addition to the coal opportunity the subject of this announcement, Dwyka's focus is primarily on nickel and gold.

#### **Nickel**

To that end, Dwyka has a major nickel exploration project underway in Burundi, as well as an exciting gold exploration programme in Swaziland. Dwyka acquired all of the shares in Danyland Limited (**'Danyland'**), the owner of the Muremera Nickel Project in Burundi, Africa, in January 2007. The Muremera project is located within one of the world's principal nickel provinces, only 2 kilometres from, almost adjacent to and in the same geological sequence as, the giant Xstrata/Barrick Kabanga deposit in Tanzania.

The Kabanga deposit is thought to be the world's largest undeveloped nickel sulphide deposit and has similar geophysical anomalies to those at Muremera. An exploration permit has been granted in relation to Muremera and access for exploration activities is good. The project's prospectivity has led to a commitment from BHP Billiton to spend at least US\$5.2 million as part of sole funding arrangements to earn up to a 50% interest in Danyland.

#### **Gold**

Pursuant to a Shareholders and Earn-in Agreement dated 16 July 2007, Dwyka has the right to earn up to a 90% interest in Swaziland Gold (Pty) Ltd (**'SwaziGold'**), which in turn owns the Swazigold Project in Swaziland, Africa. The project is a large (435 square kilometre) gold exploration play in the highly prospective Archaean Barberton Greenstone Belt in Swaziland, historically a producer of 11.5 million ounces of gold.

In the Barberton Greenstone Belt, extensive, shallow, historic workings, plus a lack of modern exploration, have presented Dwyka with an ideal opportunity. Previous owners

drilled some 13,500 metres of the project area, providing the Company with a drill database that includes numerous gold intersections. These have allowed Dwyka to establish immediate targets for both infill drilling and the development of extensions to established zones of mineralization. In the current favourable resources climate, it is believed that Dwyka's gold exploration activities will accelerate.

### **Diamonds**

Dwyka has a shareholding of 48.2% in KimCor Diamonds Plc, an AIM-listed diamond explorer and producer with a portfolio of projects in Southern Africa.