

Corporate Governance Statement

Petra Diamonds Limited is incorporated in Bermuda. There is no formal corporate governance code in Bermuda but the Company subscribes to the principles of the UK Corporate Governance Code ("the Code"). Although the Company does not at the present time comply with all of the Code requirements, the Directors are committed to making the appropriate changes to meet the Code's requirements wherever possible and appropriate for Petra.

As Petra continues to grow, the Board carries out regular reviews of its corporate governance policy and practices, with the objective that these will continue to evolve in line with the Group's increasing size and stature. Integral to these reviews are appraisals of the Group's system of internal controls, including financial, operational and compliance controls and risk management systems. Petra is committed to maintaining the highest standards of business conduct and ethics, as well as compliance with all applicable laws, rules and regulations, corporate reporting and disclosure, and all other matters deemed to protect the best interests of the Company's shareholders.

FY 2012 is an important year in terms of Petra's corporate development, given the Company's step-up to the Main Market of the London Stock Exchange and anticipated inclusion in the FTSE 250. In accordance with the Company's objective of adhering with the Code, the Company has significantly strengthened its Board with the appointment of two independent Non-Executive Directors ("NEDs"), Dr Bartlett and Mr Hamilton. At the same time as these two appointments, Mr Pouroulis moved from Executive to Non-Executive Chairman, in line with best practice. The Company will be appointing one or more further independent NEDs as soon as is practicable in FY 2012.

Following the appointment of the new NEDs, Petra revised its Board Committee Charters and these are available on Petra's website at www.petradiamonds.com. Petra has, following the appointment of the independent NEDs, changed the composition of its Audit and Remuneration Committees and has established a Nomination Committee and a Board represented Health, Safety, Social and Environmental ("HSSE") Committee for the first time.

Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of shareholder value. To fulfil this role, the Board (and Board Committees where appropriate) is responsible for the overall corporate governance of the Group, including formulating the Group's strategic direction, appointing Directors and Senior Management, setting remuneration, establishing goals for management and monitoring the achievement of these goals, approving and monitoring capital expenditure, and ensuring the integrity of internal control and management information systems. The Board is also ultimately responsible for approving and monitoring financial and other reporting.

The Chairman is responsible for the leadership of the Board. At each Board meeting, the Chairman ensures significant time is devoted to key strategic issues. When setting Group strategy, the Board agrees a shared vision of what the Company is aiming to achieve and over what time period, as well as an understanding of what is required in order to achieve the objectives. This strategy is communicated to Petra's Senior Management and to the various employee groups in each division of the Company. Externally, strategy is communicated to shareholders via direct meetings or public materials (such as Stock Exchange announcements and the Company website). The Executive Directors of Petra are ultimately responsible for executing the strategy as laid out by the Board. All Directors bring independent judgement to bear on issues of strategy, performance and standards of conduct.

One of the roles of the independent NEDs is to scrutinise the performance of the Executive Directors in terms of meeting agreed goals and objectives and to monitor the reporting of performance. In addition, they play a key role with regards to ensuring that the financial information, controls and systems of risk management within the Group are robust and defensible, as well as with regards to determining the appropriate levels of remuneration of Executive Directors, and they are integral to the appointment or removal of Executive Directors to or from the Board, when necessary.

As covered above, Petra intends to appoint one or more additional independent NEDs as soon as is practicable in FY 2012. Although at this time Petra has not formally appointed a Senior Independent NED, this decision will be made when the new candidate(s) is/are appointed. Petra fully appreciates the need to appoint a Senior Independent NED, who will provide a sounding board for the Chairman and serve as an intermediary for the other Directors as necessary. The Senior Independent NED will be available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate.

Composition of the Board

The Board currently consists of three Executive Directors, the Non-Executive Chairman, one NED and two independent NEDs. The Non-Executive Chairman is Mr Pouroulis (who stepped down from Executive Chairman to Non-Executive Chairman on 28 November 2011), the CEO is Mr Dippenaar, the Finance Director is Mr Abery, the Technical Director is Mr Davidson, the NED, who is not deemed to be independent, is Dr Kamal (as he represents Al Rajhi Holdings W.L.L. which holds 13% of Petra's issued share capital) and the independent NEDs are Dr Bartlett and Mr Hamilton (both appointed 28 November 2011).

Post-year end, the Board lost a long-serving member, being Mr Charles Segall, who sadly passed away in July 2011. Mr Segall had served on the Board of Petra as a NED since it listed on the AIM market in 1997.

The composition of the Board is reviewed on an ongoing basis to ensure that the Board has the appropriate mix of expertise and experience. Directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting and thereafter Directors are, in accordance with the Company's bye-laws, subject to re-election on an annual basis. When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities.

Corporate Governance Statement

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Board of Directors continued

Composition of the Board continued

As noted above, on 28 November 2011, Petra appointed two independent NEDs in order to strengthen its Board. The Board allocated a considerable amount of time to the identification and selection process for the new independent NEDs by undertaking a structured and focused search process to identify appropriate candidates and took advice from its London corporate advisers in this regard. The Board is satisfied that it has identified candidates with the appropriate mix of financial and technical expertise to suit the specific requirements of the Petra team. Further to the appointment of the new independent NEDs, a Nomination Committee was formed and this committee will consider and nominate candidates for Board approval going forward.

Board process

The Board believes that all Directors need to be able to allocate sufficient time to the Company in order to discharge their responsibilities effectively. The full Board meets formally at least four times per year, at such other times as may be necessary to address any significant matters that may arise, and also communicates regularly between these meetings.

The Board is supplied on a regular basis with appropriate and timely information relating to all aspects of the Group and has regular opportunities, including visits to operations, for contact with a wider group of employees, including Senior Management. In addition, the Directors are free to seek any further information they consider necessary in order to discharge their duties effectively. The collective responsibility of the Board ensures that all Directors are involved in the process of arriving at significant decisions.

The agenda for full Board meetings is prepared in conjunction with the Chairman and the Executive Directors and all documents that are relevant to the agenda of the Board meeting are distributed to the Board in advance of the meeting. Standing items include the CEO's Review, Finance Director's Review, management accounts, strategic matters, long-term business planning, governance and compliance. Senior Management are involved in the preparation of Board papers and submissions and are able to contact any member of the Board should they feel the need to do so.

Board meetings take place away from the Group's offices and typically last for the whole day and are arranged so as to allow the Board time to engage in informal discussions regarding the activities of the Group, its competitors, the capital markets and the diamond and mining sectors in general.

To assist in the execution of the Company's strategy, the Board has established an Executive Committee to manage the Company on a day-to-day basis. Members of this Committee are Mr Dippenaar, Mr Abery and Mr Davidson. Further to the appointment of the independent NEDs as noted above, the Chairman will hold meetings with the NEDs without Mr Dippenaar, Mr Abery and Mr Davidson present, in compliance with the Code.

Board performance

The Company has adopted self-evaluation processes to measure Board performance. The performance of Directors is assessed through analysis, review and specific discussion by the Board of issues relating to individual Director's attendance at and involvement in Board meetings, interaction with management, performance of allocated tasks and any other matters identified by the Board or individual Directors. Any significant issues identified are actioned by the Board on an ongoing basis. In addition, the independent NEDs will meet without the Chairman at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate. The evaluation of key Senior Management is carried out by the Executive Committee.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the conflict is clearly recorded in the Board minutes and if considered appropriate (due to the nature of the conflict) by the rest of the Board, the Director concerned is not present at the meeting whilst the item is considered.

Director dealings in Company shares

Company policy prohibits Directors and Senior Management from dealing in shares or exercising share options whilst in possession of price sensitive information. Directors and Senior Management must notify and get approval from the Chairman/Finance Director before they deal in shares or exercise share options in the Company.

Independent professional advice and access to company information

Each Director has right of access to all relevant Company information and to the Company's Senior Management.

All Directors have access to advice from the Company's retained auditors, legal advisers and NOMAD (whilst on AIM), as well as to other independent professional advisers (as appropriate), at the expense of the Company if considered necessary in the performance of their duties.

Director education

The Group educates new Directors about the nature of the business, current issues, the corporate strategy and timeline for key objectives to be met, and the expectations of the Group concerning the performance of the Directors. Directors also have the opportunity to visit Group operations and meet with the operational management to gain a better understanding of Petra's business.

Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Remuneration of NEDs

When setting fees for NEDs, the Board takes independent professional advice and applies appropriate benchmarks. Directors' fees cover all NED activities and membership of committees. Further information is contained in the Directors' Remuneration Report on page 47.

D&O Insurance

The Company has arranged appropriate Directors' and Officers' insurance cover in respect of legal claims against its Directors.

Board Committees

The Board currently has an Audit Committee, a Remuneration Committee, a Board-level HSSE Committee and on 28 November 2011 it formed a Nomination Committee. The purpose of these committees is to delegate responsibility to Directors with specific skills and knowledge and to facilitate the Board's overall role. The Board periodically reviews the membership of its committees to ensure that committee membership is refreshed; with the appointment of new independent NEDs, membership of these committees will become more appropriate and relevant. The Group provides the committees with sufficient resources to undertake their duties. The Committee Charters are available on Petra's website at www.petradiamonds.com.

Audit Committee

For FY 2011, Petra's Audit Committee comprised Dr Kamal and Mr Segall and was chaired by Dr Kamal. Further to the appointment of the independent NEDs on 28 November 2011, Petra changed the composition of its Audit Committee, which now comprises Mr Hamilton and Dr Bartlett, and is chaired by Mr Hamilton. Mr Hamilton is considered to have the appropriate financial expertise and experience for this role as he was formerly a Senior Audit Partner at Deloitte & Touche LLP specialising in UK-listed company audits. Upon the appointment of one or more additional independent NEDs, Petra will expand the number of members in this Committee.

The Audit Committee meets formally at least twice per year; three Audit Committee meetings were held during FY 2011. The Audit Committee invites the Finance Director and Senior Financial Management to attend the meetings as appropriate; the invitees would leave the meeting on matters relevant to their own performance or duties.

The Audit Committee also meets with the external auditors independent of Executive Management. The Audit Committee may, if considered necessary, take independent advice at the expense of the Company.

The Audit Committee makes recommendations to the Board on the appointment of the external auditors, their independence and the level of their fees; it reviews the findings of the external auditors and ensures appropriate action is taken by management; it reviews and monitors the integrity of financial reporting and reviews the Group's interim and full year results prior to submission to the Board; it reviews the Group's statement on internal control systems, considers the effectiveness of internal financial controls and any internal audit resource, making recommendations for changes if appropriate; assesses the Company's arrangements for staff whistle-blowing and the detection of internal fraud; and institutes and reviews special projects and investigations on any matter as it sees fit.

Remuneration Committee

For FY 2011, Petra's Remuneration Committee comprised Mr Segall and Dr Kamal and was chaired by Mr Segall. Further to the appointment of the independent NEDs on 28 November 2011, Petra changed the composition of its Remuneration Committee, which now comprises Mr Hamilton and Dr Bartlett, and is chaired by Mr Hamilton (pending the appointment of a further independent NED to the Board).

The Remuneration Committee meets formally at least twice per year and two Remuneration Committee meetings were held during FY 2011. The Remuneration Committee invites Executive Directors to attend the meetings as appropriate; the invitees would leave the meeting on matters relevant to their own remuneration or performance.

The Remuneration Committee may meet with the Company's external remuneration consultants independent of Executive Management. The Remuneration Committee may, if considered necessary, take further independent advice at the expense of the Company.

The main responsibilities of the Remuneration Committee are to determine on behalf of the Board and shareholders the overall policy for executive remuneration; to determine the base salary, benefits, performance-related bonus and any equity participation schemes for each of the Executive Directors and other Senior Management of the Group; and to approve all Directors' service contracts.

No Director or Senior Manager is involved in deciding their own remuneration.

The Chairman and other Executive Directors may accept external appointments subject to the Board's consent to act as NEDs of other companies and would normally retain any fees for such appointments.

Mr Hamilton is currently chairing both the Audit Committee and the Remuneration Committee and when the appropriate additional independent NED is appointed, it is expected that this new Director will chair the Remuneration Committee.

Nomination Committee

Although corporate governance guidelines recommend that the Company should have a Nomination Committee, prior to November 2011 the Board had not established such a committee as the Board had considered that a separately established committee of this nature was not warranted in relation to the Company's size and stage of development, as its functions and responsibilities were adequately and efficiently discharged by the Board as a whole.

However, the Petra Board now considers such a committee to be appropriate to the Group's increased scale and stature and therefore a Nomination Committee was formed on 28 November 2011 upon the appointment of the new independent NEDs to the Board.

Petra's Nomination Committee comprises Mr Pouroulis, Mr Hamilton and Dr Bartlett and is chaired by Mr Pouroulis. The Nomination Committee will meet formally at least twice a year.

The main responsibilities of the Nomination Committee are evaluating the balance of skills, knowledge and experience of the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and will make appropriate recommendations to the Board on such matters.

Corporate Governance Statement

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Board Committees continued

HSSE Committee

The HSSE Committee comprises one Executive Director (Mr Dippenaar) and appropriate members of Petra Senior Management; it is chaired by Mr Dippenaar. This is a new Board-level Committee that was established in September 2011. The HSSE Committee will meet formally at least twice a year.

The HSSE Committee's role is to formulate and recommend to the Board the Group's policy on all relevant HSSE issues as they affect the Group's operations and it will ensure that the Board is cognisant of, and takes account of, mining corporate social responsibility best practice. In particular it will focus on ensuring that effective systems and standards, procedures and practices are in place and will monitor the correct and legal implementation of these procedures across the Group.

The HSSE Committee is also responsible in conjunction with the Executive Committee for reviewing management's investigation of incidents or accidents that occur in order to assess whether policy improvements are required.

Internal controls and risk management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. It should be recognised that such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives. The Code requires that the effectiveness of the system of internal control be reviewed by the Directors, including financial, operational and risk management.

The Board, on an ongoing basis, conducts reviews of the effectiveness of the Company's risk management and internal control systems and reports to shareholders that they have done so. The review covers all material controls, including financial, operational and compliance controls.

The Group has not established a separate Board-level risk committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Group's operations, ensures risks are identified, assessed and appropriately managed. Where necessary, the Board will draw on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Please refer to pages 32 and 33 where the Group has identified key risks and how they are mitigated.

The Board's internal control processes are comprehensive and comprise:

- operating unit controls – operating units confirm compliance with financial controls and procedures including information system controls;
- functional reporting – key areas subject to regular reporting (on a quarterly basis) to the Board include operations/production, finance, investor relations, technical, safety, human resources, corporate social responsibility, environment and legal matters;
- internal audit function – the Group has an internal audit function. The internal audit manager operates under the direction of the Finance Director and any matters arising of a material nature are brought to the attention of the Board. The Board ensures compliance with the internal controls and risk management procedures previously mentioned; and
- Group Code of Conduct – the Group has established a documented Code of Conduct. The Group has induction procedures to inform newly appointed employees of their rights and their duty to act with utmost integrity and objectivity. The Code of Conduct is designed to guide compliance with legal and other obligations to the Company's stakeholders.

Practices have been established to ensure:

- capex commitments above a certain size obtain prior Board approval;
- financial exposures are controlled, including the potential use of derivatives;
- environmental performance is regularly monitored to ensure the Group is in compliance with all environmental regulation under international law and the laws of the jurisdictions in which the Group's operations are based in relation to its exploration and mining activities;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- ethical standards are monitored as all Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group;
- business transactions are properly authorised and executed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Communication with shareholders and continuous disclosure

The Company supports open dialogue between shareholders and the Board so that the Board understands shareholders' needs and objectives and their views on the Company's performance. Investor relations is an important aspect of the Company's overall communications strategy and Petra has a dedicated in-house communications and investor relations function based in London to ensure that any investor query or concern is responded to and dealt with efficiently and in a timely manner. Petra's investor relations team regularly provides feedback to management on all such shareholder communication.

As part of Petra's proactive investor relations approach, management and the investor relations team commit time to hold regular formal and informal meetings in person with the Company's shareholders in order to get direct feedback and input on strategy and performance. The Company also hosts financial results webcasts at least twice a year which are broadcast live on the Company's website to ensure that all shareholders can participate in the presentation, regardless of their location, and stored thereafter at www.petradiamonds.com.

The Board encourages all members, including its NEDs, to develop an understanding of the views of major shareholders about the Company, either through direct meetings in person, analysts' or brokers' briefings or through the submission of regular feedback documents following shareholder interaction.

The Board encourages full participation of shareholders at shareholder meetings to ensure a high level of accountability and identification with the Group's strategy and goals. Shareholders are requested to vote on the appointment of Directors and changes to the Company's bye-laws. Copies of the bye-laws are available on the Company website at www.petradiamonds.com. The Board ensures that the external auditors attend the Company's Annual General Meeting and other meetings where it is appropriate to do so. The Chairman arranges for the Chairmen of its various committees to be available to answer questions at the Annual General Meeting.

Petra ensures that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to shareholders in accordance with the continuous disclosure requirements of the AIM Rules. Once Petra steps up to the Main Market of the London Stock Exchange, it will comply in full with both the Listing Rules and the Disclosure and Transparency Rules. All public announcements are immediately posted to the Company's website at www.petradiamonds.com.

The Company's Annual Report is made available to all shareholders. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, as well as all required disclosures. Notices of shareholder meetings and associated explanatory material are placed on the Company's website.